

LANCASTER COLONY CORP

Form DEF 14A

October 15, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**SCHEDULE 14A  
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

**LANCASTER COLONY CORPORATION**  
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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**37 West Broad Street  
Columbus, Ohio 43215**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held On November 15, 2010**

The Annual Meeting of Shareholders (the Annual Meeting ) of Lancaster Colony Corporation (the Corporation ) will be held at 11:00 a.m., Eastern Standard Time, on November 15, 2010, in the Bexley I meeting room at the Embassy Suites Hotel, 2886 Airport Drive, Columbus, Ohio 43219.

The meeting will be held for the following purposes:

1. To elect three directors, each for a term that expires in 2013;
2. To ratify the selection of Deloitte & Touche LLP as the Corporation s independent registered public accounting firm for the year ending June 30, 2011;
3. To approve the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

By action of the Board of Directors, only persons who are holders of record of shares of the Corporation at the close of business on September 17, 2010 will be entitled to notice of and to vote at the Annual Meeting.

If you do not expect to attend the Annual Meeting, please sign, date and return the enclosed proxy card, which is being solicited by the Corporation s Board of Directors. A self-addressed envelope which requires no postage is enclosed for your convenience in returning the proxy. Its prompt return would be appreciated. Alternatively, internet voting is available, as described in the proxy voting instructions on your proxy card. The giving of the proxy will not affect your right to vote in person should you find it convenient to attend the Annual Meeting. If you are the beneficial owner of shares held in street name by a broker, bank or other nominee, the broker, bank or nominee, as the record holder of the shares, should have enclosed a voting instruction card for you to use in directing it on how to vote your shares.

John B. Gerlach, Jr.  
*Chairman of the Board,  
Chief Executive Officer  
and President*

October 15, 2010

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**LANCASTER COLONY CORPORATION**

**37 West Broad Street  
Columbus, Ohio 43215**

**PROXY STATEMENT**

**General Information**

This Proxy Statement is furnished to the shareholders of Lancaster Colony Corporation (the Corporation) in connection with the solicitation by the Board of Directors of the Corporation (the Board) of proxies to be used in voting at the Annual Meeting of Shareholders to be held November 15, 2010, in the Bexley I meeting room at the Embassy Suites Hotel, 2886 Airport Drive, Columbus, Ohio 43219, at 11:00 a.m., Eastern Standard Time (the Annual Meeting). The enclosed proxy card, if completed and forwarded to the Corporation prior to the Annual Meeting, will be voted in accordance with the instructions contained therein. The proposals referred to on the enclosed proxy card are described in this Proxy Statement. This Proxy Statement and enclosed proxy card are first being mailed to shareholders on or about October 15, 2010.

A proxy may be revoked by the person giving it any time before it is exercised. Such revocation, to be effective, must be communicated to the Secretary or Assistant Secretary of the Corporation prior to the Annual Meeting. The presence of a shareholder at the Annual Meeting will not revoke his or her proxy unless specific notice thereof is given to the Secretary or Assistant Secretary of the Corporation.

The Corporation will bear the cost of solicitation of proxies, including any charges and expenses of brokerage firms and others for forwarding solicitation material to the beneficial owners of the Corporation's shares. Proxies may be solicited by personal interview, mail, telephone and electronic communications through the efforts of officers and regular employees of the Corporation.

The Board has fixed the close of business on September 17, 2010 as the record date for the determination of shareholders entitled to receive notice and to vote at the Annual Meeting or any adjournments or postponements thereof. At September 17, 2010, the Corporation had outstanding and entitled to vote 27,992,229 shares of Common Stock, without par value (Common Stock), with each share of Common Stock entitling its holder to one vote. The Corporation has no other class of stock outstanding.

The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock of the Corporation is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Proxies reflecting abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum. Broker non-votes occur when brokers, who hold their customers' shares in street name, sign and submit proxies for those shares but fail to vote those shares on some matters.

If you are the beneficial owner of shares held in street name by a broker, bank or other nominee, the broker, bank or nominee, as the record holder of the shares, should have enclosed a voting instruction card for you to use in directing it on how to vote your shares.

**Voting Requirements**

The following are the voting requirements for the items of business listed on the Notice of Annual Meeting of Shareholders that are expected to be conducted at the Annual Meeting, along with an explanation of how broker non-votes and abstentions will be treated for purposes of each proposal:

1. Proposal One: The election of the director nominees requires the favorable vote of a plurality of all votes cast by the holders of the Common Stock at a meeting at which a quorum is present. Broker non-votes and proxies marked Withhold will not be counted toward the election of directors or toward the election of individual nominees specified in the form of proxy and, thus, will have no effect on the outcome of this proposal.
2. Proposal Two: The ratification of the Corporation's independent registered public accounting firm for the year ending June 30, 2011 also requires the favorable vote of a plurality of all votes cast by the holders of the Common Stock at a meeting at which a quorum is present. Broker non-votes and abstentions will have no effect on the outcome of this proposal.
3. Proposal Three: The approval of the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan also requires the favorable vote of a plurality of all votes cast by the holders of the Common Stock at a meeting at which a quorum is present and a majority of all votes cast under the rules of The Nasdaq Stock Market ( Nasdaq ). Broker non-votes and abstentions will have no effect on the outcome of this proposal.

**Table of Contents****PROPOSAL ONE****NOMINATION AND ELECTION OF DIRECTORS**

The Board currently consists of nine members and is divided into three classes of three members each. The members of the three classes are elected to serve for staggered terms of three years.

The names and ages of the Corporation's nominees for director and continuing directors; their principal occupations during the past five years; their specific experiences, qualifications, attributes or skills that qualify them to serve as directors; and certain other information are listed below. Except for Mr. Kenneth L. Cooke, each of the nominees is a director standing for re-election. Mr. Henry M. O'Neill Jr. has reached mandatory retirement age and is not standing for re-election. Mr. Cooke has been nominated by the Board to fill the vacancy that would otherwise be created by Mr. O'Neill's retirement. Mr. Cooke was selected by the Nominating and Governance Committee and nominated by the Board after an extensive search for a qualified candidate. The Nominating and Governance Committee fielded potential candidates from a variety of sources, including those suggested by other Board members. Mr. Cooke was first identified and recommended by a Board member. Mr. Cooke was selected as a nominee based upon his extensive business background and experience, his cultural fit with the Board, and his ability and willingness to serve as a director of the Corporation. Each nominee has consented to stand for election for a term expiring at the Corporation's 2013 Annual Meeting of Shareholders. In the event that any of the nominees becomes unavailable to serve as a director before the Annual Meeting, the Board will designate a new nominee, and the persons named as proxies will vote for that substitute nominee.

**The Board of Directors recommends a vote FOR the election of each of the nominees listed below by executing and returning the enclosed proxy card.**

**Nominees for Term to Expire in 2013**

| <b>Name</b>      | <b>Principal Occupation</b>   | <b>Age</b> | <b>Director Since</b> |
|------------------|---|------------|-----------------------|
| Kenneth L. Cooke | <p>Director, Executive Vice President and Chief Operating Officer of Intermedix Corporation, an emergency healthcare services company, since March 2008; Global Chief Information Officer of PricewaterhouseCoopers LLP, a registered independent public accounting firm, from July 2001 to March 2008; and Partner, PricewaterhouseCoopers LLP from 1987 to March 2008</p> <p>Mr. Cooke has over 30 years of experience in public accounting during which time he advised and audited a variety of public and private corporations. At PricewaterhouseCoopers, Mr. Cooke served in a variety of senior positions specializing in tax, audit, and other accounting services. His current position provides additional experience as an operations officer and director. Mr. Cooke also has significant experience in mergers and acquisitions and has worked with other food businesses. The Board believes that the breadth and depth of Mr. Cooke's experience will enable Mr. Cooke to provide significant</p> | 61         |                       |



contributions to the Board and will add to the diversity of experience that the Board seeks in qualified candidates.

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| Name           | Principal Occupation  | Age | Director Since |
|----------------|---|-----|----------------|
| Alan F. Harris | <p>Retired since 2007; Executive Vice President and Chief Marketing and Customer Officer of Kellogg Company, a food products company, from 2003 to 2007; and Executive Vice President and President, Kellogg Company International Division from 2000 to 2003</p> <p>With over 23 years of experience at Kellogg in a variety of positions, Mr. Harris possesses extensive domestic and international experience in the retail food industry, as well as considerable consumer marketing expertise. In addition, Mr. Harris embodies many other desirable qualities that contribute to the leadership of the Corporation, including strong general management breadth and experience and significant strategic acumen. In his short time on the Board, Mr. Harris has made significant contributions in key areas of oversight, including strategic planning, risk assessment and product development.</p>  | 56  | 2008           |
| Zuheir Sofia   | <p>Chairman, President, &amp; CEO of Business Bank of Florida, Corp. since April 2007; President and Chief Executive Officer of Florida Business Bank, from July 2009 to March 2010; Chairman of Sofia &amp; Company, Inc., a financial advisory firm, since 1998; and President, Chief Operating Officer and Treasurer of Huntington Bancshares Incorporated, a financial holding company, from 1984 to 1998(1)</p> <p>Mr. Sofia's extensive leadership experience with Huntington, Sofia &amp; Company, Florida Business Bank, and Business Bank of Florida, Corp. has allowed Mr. Sofia to bring to the Board his demonstrated management ability at the executive level. Mr. Sofia's business experience includes responsibility for treasury, operations, technology, capital markets and directing merger and acquisition activity. Mr. Sofia's current and past service as a director of several public and private companies and as chairman of non-profit organizations also provides invaluable leadership and business experience.</p> | 66  | 1998           |

Table of Contents**Continuing Directors**

| <b>Name</b>          | <b>Principal Occupation</b>  | <b>Age</b> | <b>Term Expires</b> | <b>Director Since</b> |
|----------------------|--|------------|---------------------|-----------------------|
| Robert L. Fox        | Financial Adviser for Wells Fargo Advisors, a stock brokerage firm, since July 2008; Financial Adviser for A.G. Edwards & Sons, Inc., a stock brokerage firm, from 2005 to July 2008; and Financial Adviser for Advest, Inc., a stock brokerage firm, from 1978 to 2005<br>Mr. Fox has over 30 years of experience in the securities industry analyzing and evaluating the financial, operational and managerial capabilities of public companies. Mr. Fox's experience brings an investor's perspective of the Corporation to the Board. As a member of the Board for nearly 20 years, Mr. Fox has gained an extensive knowledge of our business, our history and the markets we serve. | 61         | 2011                | 1991                  |
| John B. Gerlach, Jr. | Chairman of the Board, Chief Executive Officer and President of the Corporation since 1997(2)<br>Mr. Gerlach brings significant leadership and operational management experience to the Board. Mr. Gerlach has demonstrated strong executive leadership skills through over 20 years of executive officer service with the Corporation, including over 12 years as Chief Executive Officer. Mr. Gerlach is the Corporation's longest serving director. This experience, combined with his service on the board of Huntington Bancshares and numerous non-profit organizations provide Mr. Gerlach with vast board level leadership capabilities.   | 56         | 2011                | 1985                  |
| Edward H. Jennings   | Retired since 2002; President Emeritus of The Ohio State University since 1990; Interim President of The Ohio State University from July 1, 2002 to September 30, 2002; and Professor of Finance at The Ohio State University from 1990 to 2002(3)<br>As President of The Ohio State University for nine years, Mr. Jennings was the chief executive of one of the nation's largest universities. This experience has enabled Mr. Jennings to understand the operations and issues encountered in a large organization. Further, Mr. Jennings' background as a Professor of Finance provides expertise for the financial oversight of the Corporation.                                   | 73         | 2011                | 1990                  |
| James B. Bachmann    | Retired since 2003; and Managing Partner of the Columbus, Ohio office of Ernst & Young LLP, a registered independent public accounting firm, from 1992 to 2003(4)<br>Mr. Bachmann's significant public company accounting and financial experience has been immensely valuable   | 67         | 2012                | 2003                  |

to the Corporation and to the Audit Committee. He is also a director of Abercrombie & Fitch Co. and chair of its audit committee, providing additional experience overseeing the issues that face public companies operating in the retail markets.

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| <b>Name</b>     | <b>Principal Occupation</b>   | <b>Age</b> | <b>Term Expires</b> | <b>Director Since</b> |
|-----------------|---|------------|---------------------|-----------------------|
| Neeli Bendapudi | Professor/Associate Professor of Marketing at The Ohio State University from 1996 to 2007 and since October 2008; and Executive Vice President and Chief Customer Officer of Huntington National Bank from April 2007 until October 2008<br>Ms. Bendapudi's extensive knowledge of marketing, brand strategies, and consumer behavior provides considerable benefit in the Board's oversight of our retail marketing strategies in the Specialty Foods and Glassware and Candles segments. As a professor, Ms. Bendapudi adds to the diversity of experience the Corporation values in its leadership.  | 47         | 2012                | 2005                  |
| John L. Boylan  | Chief Financial Officer, Vice President and Assistant Secretary of the Corporation since 1996; and Treasurer of the Corporation since 1990<br>Mr. Boylan has been with the Corporation for over 24 years. Mr. Boylan has extensive leadership and financial management experience with the Corporation. Mr. Boylan provides the Board with valuable insight into management's perspective with respect to the Corporation's operations. As our Chief Financial Officer, Mr. Boylan also adds to the Board detailed knowledge of the Corporation's financial performance. Mr. Boylan has been a director of the Corporation for over 11 years. | 55         | 2012                | 1998                  |

- (1) Mr. Sofia is a former director of Dominion Homes, Inc.
- (2) Mr. Gerlach is also a director of Huntington Bancshares Incorporated.
- (3) Mr. Jennings is also a director of Clean Coal Technologies Inc. and a former director of Freedom Bank.
- (4) Mr. Bachmann is also a director of Abercrombie & Fitch Co.

**CORPORATE GOVERNANCE**

The Board has standing Audit, Compensation, Nominating and Governance and Executive Committees. In addition, the Board has adopted a Corporate Governance Program that includes Corporate Governance Principles, a Code of Business Ethics and Standards of Conduct. The charters of the Audit, Compensation and Nominating and Governance Committees and the Corporate Governance Principles, Code of Business Ethics and Standards of Conduct are posted on the corporate governance page of the Corporation's web site at [www.lancastercolony.com](http://www.lancastercolony.com).

**Director Independence** The Board and the Nominating and Governance Committee have reviewed and evaluated transactions and relationships with Board members to determine the independence of each of the members. The Board

does not believe that any of its nonemployee members have relationships with the Corporation that would interfere with the exercise of independent judgment in carrying out his or her responsibilities as a director. The Board and the Nominating and Governance Committee have determined that a majority of the Board's members are independent directors, as that term is defined in the applicable Nasdaq listing standards. The Board has identified and determined that Ms. Bendapudi and Messrs. Bachmann, Cooke, Fox, Harris, Jennings, O'Neill and Sofia are independent directors or director nominees.

**Board Attendance** Each member of the Board is expected to make a reasonable effort to attend all meetings of the Board, all applicable committee meetings, and each annual meeting of shareholders. All members of the Board attended the 2009 Annual Meeting of Shareholders, and each of the current members of the Board plus Mr. Cooke is expected to attend the 2010 Annual Meeting. The Board held a total of five meetings during fiscal

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2010. Each director attended at least 75% of the aggregate meetings of the Board and the committees on which they served during fiscal 2010.

**Board Leadership Structure** Mr. John B. Gerlach, Jr., the Corporation's Chief Executive Officer ( CEO ), currently serves as the Corporation's Chairman of the Board. The Board believes that the Corporation and its shareholders are best served by retaining the Board's flexibility to allocate the responsibilities of Chairman of the Board and CEO in any way that is in the best interests of the Corporation at any future point in time. Adopting a policy that restricts the Board's discretion in selecting the Chairman of the Board (as well as restricting the ability to combine the positions of Chairman and CEO) would deprive the Board of the ability to select the most qualified and appropriate individual to lead the Board as Chairman.

In November 2007, the Board amended its Corporate Governance Principles to provide that the Corporation shall have a Lead Independent Director at any time during which the positions of Chairman of the Board and CEO are held by the same person. At that time, Mr. James Bachmann was appointed Lead Independent Director. Under the amended Corporate Governance Principles, the Lead Independent Director:

Works closely with the Chairman to approve the information presented to the Board and set and approve meeting agendas and meeting schedules;

Chairs meetings of the Board in the absence of the Chairman;

Oversees meetings of the independent directors, including executive sessions of the nonemployee directors;

Serves as the principal liaison between the independent directors and the Chairman;

Takes a leading role in the Board evaluation process; and

Has the authority to call meetings of the independent directors from time to time.

Mr. Gerlach, in his capacities as Chairman and CEO, serves as a bridge between the Board and management and provides critical leadership for carrying out the Corporation's strategic initiatives and confronting its challenges, especially in light of the Corporation's recent and continuing transition to a food-focused company. In short, the Board believes that a Chairman who is a member of the management team is well situated to oversee and execute the Corporation's strategy and business plans to maximize shareholder value. The Board believes that Board independence and oversight of management are effectively maintained through the Board's current composition, committee system and the position of Lead Independent Director.

**Board Role in Risk Oversight** The Board, together with the Audit Committee and the Compensation Committee, are primarily responsible for overseeing the Corporation's risk management. Management of the Corporation has formed an Enterprise Risk Management Committee, or ERM Committee, consisting of the Chief Financial Officer, Director of Internal Audit and General Counsel. The primary responsibility of the ERM Committee is to promote the development of sound policies, procedures and practices for managing the Corporation's material risks and to report the results of the ERM Committee's activities to the Audit Committee. The ERM Committee provides the Audit Committee with reports on a regular basis and the full Board is provided an overview of key risks from various members of senior management. In addition, the Compensation Committee oversees risk requiring its expertise, such as those related to incentive compensation programs and policies.

Although the Board and its committees oversee risk management for the Corporation, management is responsible for the day-to-day management and mitigation of the Corporation's risks. We believe this division of responsibility

reflects the appropriate roles of the Board and management in assessing and managing risks.

**Director Qualifications** The Nominating and Governance Committee will look for candidates who possess qualifications that meet our strategic needs; possess the highest personal and professional ethics, integrity and values; have an understanding of our business; have diverse experiences in key business, financial and other challenges that are faced by a publicly held retail company; and represent the long-term interest of our shareholders. In particular, the Nominating and Governance Committee will look for candidates with special and diverse experience in areas such as management of public companies or other large organizations; consumer packaged goods, particularly retail food companies; investment banking or the banking industry; accounting and finance; and



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retail/mass marketing experience. We expect our directors to represent all shareholders rather than special interest groups or any group of shareholders.

**Corporate Governance Principles** The Board, on the recommendation of the Nominating and Governance Committee, adopted a set of Corporate Governance Principles in 2005. The Corporate Governance Principles relate to the role, composition, structure and functions of the Board. The Nominating and Governance Committee is responsible for periodically reviewing these Corporate Governance Principles and recommending any changes to the Board.

**Code of Business Ethics and Standards of Conduct** The Corporation has adopted a Code of Business Ethics and Standards of Conduct that inform the Corporation's directors and employees of their legal and ethical obligations to the Corporation and set a high standard of business conduct. The Code of Business Ethics and Standards of Conduct apply to all employees and, where applicable, to directors of the Corporation. The Corporation intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver from, any provision (including the standards listed under Item 406(b) of Regulation S-K) of the Code of Business Ethics that applies to the Corporation's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions by posting such information on the Corporation's web site, the address of which is [www.lancastercolony.com](http://www.lancastercolony.com).

**Shareholder Communication with the Board** Any of the directors may be contacted by writing to them at: Board of Directors, c/o Corporate Secretary's Office, Lancaster Colony Corporation, 37 West Broad Street, Columbus, Ohio 43215. The independent directors have requested that the Secretary of the Corporation act as their agent in processing any communications received. All communications that relate to matters that are within the scope of responsibilities of the Board and its committees will be forwarded to the independent directors. Communications relating to matters within the responsibility of one of the committees of the Board will be forwarded to the Chairperson of the appropriate committee. Communications relating to ordinary business matters are not within the scope of the Board's responsibility and will be forwarded to the appropriate officer at the Corporation. Solicitations, advertising materials, and frivolous or inappropriate communications will not be forwarded.

## **BOARD COMMITTEES AND MEETINGS**

**Audit Committee** The Board has established an audit committee (the Audit Committee) in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, that currently consists of Messrs. Bachmann, Harris, Jennings and Sofia. Mr. Bachmann serves as Chairperson of the Audit Committee. It has been determined by the Board that each member of the Audit Committee meets the applicable Nasdaq independence requirements and that Mr. Bachmann is an Audit Committee financial expert, as defined in Item 407(d)(5) of Regulation S-K, due to his business experience and background described previously within this Proxy Statement. The Audit Committee operates pursuant to a charter that was approved by the Board in 2004 and amended in 2007 and 2010. The duties of the Audit Committee include the responsibility of reviewing financial information (both external and internal) about the Corporation and its subsidiaries so as to assure (i) that the overall audit coverage of the Corporation and its subsidiaries is satisfactory and appropriate to protect the shareholders from undue risks and (ii) that an adequate system of internal financial control has been designed and implemented throughout the Corporation and is being effectively maintained. Additionally, the Audit Committee has sole authority and direct responsibility with respect to the appointment, compensation, retention and oversight of the Corporation's independent registered public accounting firm, or independent auditor. Also, as part of its duties, the Audit Committee has adopted procedures for receiving and acting on complaints received by the Corporation regarding accounting, internal accounting controls and auditing issues. Such complaints should be sent to the attention of the Corporate Secretary's Office, Lancaster Colony Corporation, 37 West Broad Street, Columbus, Ohio 43215. The Audit Committee held four meetings during fiscal 2010.

**Compensation Committee** The Board has established a compensation committee (the Compensation Committee ) that currently consists of Messrs. Fox, Jennings and O Neill. Mr. Jennings serves as Chairperson of the Compensation Committee. It has been determined by the Board that each member of the Compensation Committee meets Nasdaq independence requirements. The Compensation Committee operates pursuant to a charter that was

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approved by the Board in 2004 and amended in 2008 and 2010. The duties of the Compensation Committee include: annually determining the compensation of the Chief Executive Officer and reviewing and approving goals and objectives relevant to his activities; reviewing and approving the Chief Executive Officer's recommendations as to the compensation to be paid other executive officers of the Corporation; reviewing and approving offers to potential executive officers to join the Corporation; reviewing and approving perquisite policies; reviewing and approving employment agreements, severance or retention plans or agreements and severance or termination payments; overseeing regulatory compliance regarding compensation matters; establishing and evaluating performance goals and the level of achievement of such goals; reviewing and offering advice regarding director compensation, equity-based compensation and retirement pay; administering equity-based compensation plans and approving equity awards; reporting activities to the Board; reviewing and discussing the Compensation Discussion and Analysis with the Corporation's management; determining whether to recommend to the Board that the Compensation Discussion and Analysis be included in the Corporation's Annual Report on Form 10-K and proxy statement; preparing a Compensation Committee Report for inclusion in the Corporation's Annual Report on Form 10-K and proxy statement; reviewing director compensation; annually reviewing the Compensation Committee charter; and annually evaluating the Compensation Committee's performance. The charter does not provide the Compensation Committee with any delegation authority regarding its duties, except for the ability to delegate authority to approve equity awards to a subcommittee of the Compensation Committee. See the discussion below under "Compensation Discussion and Analysis" and "Compensation of Directors" for more information about the Compensation Committee's processes and procedures. The Compensation Committee held two meetings during fiscal 2010.

**Nominating and Governance Committee** The Board has established a nominating and governance committee (the Nominating and Governance Committee) that currently consists of Messrs. Fox, O'Neill and Sofia and Ms. Bendapudi. Mr. Sofia serves as Chairperson of the Nominating and Governance Committee. It has been determined by the Board that each member of the Nominating and Governance Committee meets Nasdaq independence requirements. The Nominating and Governance Committee operates pursuant to a charter that was approved by the Board in 2004 and amended in 2005 and 2010. The duties of the Nominating and Governance Committee include identification and nominations to the Board of candidates for election as directors of the Corporation and the development and review of a set of Corporate Governance Principles. As part of its assigned duties, the Nominating and Governance Committee has reviewed the Corporate Governance Principles and found them to be acceptable in scope and application and has so reported to the Board. The Nominating and Governance Committee held three meetings during fiscal 2010.

The Nominating and Governance Committee uses different sources to identify Board candidates, including the Corporation's executive officers and current members of the Board. The Nominating and Governance Committee also considers the nomination of director candidates recommended by shareholders in conformance with the tests and standards outlined in the Nominating and Governance Committee's charter and the Corporation's Amended and Restated Code of Regulations. The Nominating and Governance Committee uses the same manner and process for evaluating every candidate for Board membership, regardless of the original source of the candidate's nomination. The Nominating and Governance Committee generally considers the subject of diversity as described above under "Corporate Governance - Director Qualifications." Recommendations to the Nominating and Governance Committee from shareholders regarding candidates must be delivered to the Corporation's Corporate Secretary no later than June 30 of the year in which such shareholder proposes that the recommended candidate stand for election. Section 2.03 of the Corporation's Code of Regulations authorizes director nominations to be made by shareholders if the conditions specified therein are met, including the giving of advance notice and the furnishing of certain personal background information and a written statement from the proposed candidate agreeing to be identified in the proxy statement as a nominee and, if elected, to serve as a director. The Nominating and Governance Committee currently has not set specific, minimum qualifications or criteria for nominees that it proposes for Board membership, but evaluates the entirety of each candidate's credentials. The Nominating and Governance Committee believes, however, that the Corporation will be best served if its directors bring to the Board a variety of experience and backgrounds and, among other things, demonstrated integrity, executive leadership and financial, marketing or business knowledge and

experience.

**Executive Committee** The Board has established an executive committee (the Executive Committee ) that currently consists of Messrs. Gerlach, Fox, and Bachmann. No particular director serves as Chairperson of the

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Executive Committee. The Executive Committee operates pursuant to resolutions that were adopted by the Board in February 2008. The Executive Committee exercises the power and authority of the Board in managing the business and affairs of the Corporation (other than any power or authority specifically precluded by applicable law, the Corporation's Articles of Incorporation or Amended and Restated Code of Regulations, or by limiting resolutions of the Board), but the Executive Committee acts only in the intervals between meetings of the Board. Furthermore, all acts of the Executive Committee must be reported at the next Board meeting. The Executive Committee did not meet during fiscal 2010.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

To the Corporation's knowledge, based solely on its review of copies of forms filed with the Securities and Exchange Commission (SEC), all filing requirements applicable to the officers, directors and beneficial owners of more than 10% of the outstanding Common Stock under Section 16(a) of the Securities Exchange Act of 1934, as amended, were complied with during the fiscal year ended June 30, 2010.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following shareholders have beneficial ownership, directly or indirectly, of more than five percent of the outstanding Common Stock as of September 17, 2010:

| <b>Name and Address of Beneficial Owner</b>  | <b>Nature of Beneficial Ownership</b> | <b>Amount of Beneficial Ownership</b> | <b>Percent of Class(1)</b> |
|--|---------------------------------------|---------------------------------------|----------------------------|
| John B. Gerlach, Jr.(2)(3)(4)(5)(6)(7)<br>c/o Lancaster Colony Corporation<br>37 West Broad Street<br>Columbus, Ohio 43215 | Direct and indirect                   | 8,253,459                             | 29.48%                     |
| Dareth A. Gerlach(8)<br>c/o Lancaster Colony Corporation<br>37 West Broad Street<br>Columbus, Ohio 43215                   | Direct and indirect                   | 5,944,478                             | 21.24%                     |
| BlackRock, Inc.(9)<br>40 East 52nd Street<br>New York, NY 10022  | Direct and indirect                   | 1,404,025                             | 5.02%                      |

- (1) Percentages based upon 27,992,229 shares outstanding as of September 17, 2010.
- (2) Holdings include shares owned by spouse and shares held in custodianship or as trustee. Mr. Gerlach disclaims beneficial ownership in such holdings with respect to 7,494,866 shares.
- (3) Mr. Gerlach, a trustee of Gerlach Foundation, Inc., shares voting and investment power in this foundation, which is a private charitable foundation. Gerlach Foundation, Inc. holds 327,326 shares. These shares are included in the above table. The FG Foundation, a supporting foundation (of which Mr. Fox and Mr. Gerlach serve as trustees) of a public charitable foundation, Fox Foundation, Inc., and Gerlach Foundation, Inc. together control an additional 620,122 shares held by Lehrs, Inc. The shares held by Lehrs, Inc. are also included in the total number of shares held by Mr. Gerlach. Mr. Gerlach is also an officer of Lancaster Lens, Inc. and shares voting and investment power with respect to the 148,399 shares owned by it. Mr. Gerlach disclaims beneficial ownership of any of these shares, all of which are also reported in footnote 2.
- (4) Mr. Gerlach, by virtue of his stock ownership and positions with the Corporation, may be deemed a control person of the Corporation.
- (5) Mr. Gerlach is trustee and his mother, Dareth A. Gerlach, is special trustee of the John B. Gerlach Marital Deduction Trust A-1. This trust presently holds 5,737,602 shares. Mr. Gerlach is also trustee and his mother, Dareth A. Gerlach, is a special trustee of the John B. Gerlach Taxable Irrevocable Trust. This trust presently holds 137,430 shares. These shares are included in the total number of shares held by Mr. Gerlach in the above table. Mr. Gerlach disclaims beneficial ownership of these shares, all of which are also reported in footnote 2.
- (6) Includes 348,000 shares held by a family limited partnership and 12,500 shares held by a corporation which is the general partner of the family limited partnership. Mr. Gerlach shares indirect beneficial ownership of these

shares.

- (7) Includes 12,501 shares held through the Lancaster Colony Corporation Employee Stock Ownership Plan and 724 shares held through the Lancaster Colony Corporation 401(k) Savings Plan.
- (8) Includes 5,737,602 shares that are held by the John B. Gerlach Marital Deduction Trust A-1 and 137,430 shares held by the John B. Gerlach Taxable Irrevocable Trust with respect to which Dareth A. Gerlach is special trustee and has sole voting power. See footnote 5.
- (9) BlackRock, Inc. filed a Schedule 13G/A with the SEC on June 10, 2010 indicating that, as of May 31, 2010 BlackRock, Inc. has sole voting power with respect to 1,404,025 shares and sole dispositive power with respect to 1,404,025 shares.

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The following information indicates the beneficial ownership by all executive officers and directors of the Corporation as a group, each individual director or director nominee, and each individual officer named in the 2010 Summary Compensation Table below, of the outstanding Common Stock as of September 17, 2010:

| Name of Beneficial Owner  | Amount and Nature of<br>Beneficial Ownership | Percent of<br>Class(1) |
|---|--|------------------------|
| James B. Bachmann   | 4,705 shares(2)                              | *                      |
| Neeli Bendapudi   | 4,223 shares(2)                              | *                      |
| John L. Boylan  | 14,205 shares(3)(4)(9)(10)                   | *                      |
| Kenneth L. Cooke  | 2,500 shares                                 | *                      |
| Robert L. Fox   | 1,061,710 shares(2)(6)                       | 3.79%                  |
| John B. Gerlach, Jr.  | 8,253,459 shares(3)(4)(7)                    | 29.48%                 |
| Alan F. Harris  | 3,205 shares(2)                              | *                      |
| Edward H. Jennings  | 5,004 shares(2)                              | *                      |
| Henry M. O Neill, Jr.   | 23,856 shares(2)                             | *                      |
| Bruce L. Rosa   | 63,084 shares(3)(4)(5)(9)                    | *                      |
| Zuheir Sofia  | 9,762 shares(2)                              | *                      |
| All executive officers and directors as a group<br>(10 persons) | 8,823,091 shares(8)                          | 31.52%                 |

\* Less than 1%

- (1) Individual percentages based upon 27,992,229 shares outstanding as of September 17, 2010. Percentage as a group is based on 27,994,048 outstanding shares, which includes the amount noted in (10) below.
- (2) Includes for each nonemployee director 1,205 shares of restricted stock received pursuant to the terms of the 2005 Stock Plan. The restricted stock vests one year from the grant date, or earlier upon a change in control of the Corporation, or the death or disability of the recipient.
- (3) Includes the following number of shares held through the Lancaster Colony Corporation Employee Stock Ownership Plan: John L. Boylan 6,214; John B. Gerlach, Jr. 12,501; and Bruce L. Rosa 10,795.
- (4) Includes the following number of shares held through the Lancaster Colony Corporation 401(k) Savings Plan: John L. Boylan 706; John B. Gerlach, Jr. 724; and Bruce L. Rosa 731.
- (5) Holdings include 50,458 shares held in a trust of which Mr. Rosa has beneficial ownership.
- (6) Holdings include shares owned by spouse and children and shares held in custodianship or as trustee. Mr. Fox disclaims beneficial ownership in such holdings with respect to 130,166 shares. In addition, Mr. Fox, a trustee of Fox Foundation, Inc., shares voting and investment power with his foundation, which is a private charitable foundation. Fox Foundation, Inc. holds 60,269 shares. These shares are included in the above table. The FG Foundation, a supporting foundation (of which Mr. Fox and Mr. Gerlach serve as trustees) of a public charitable foundation, Fox Foundation, Inc., and Gerlach Foundation, Inc. together control an additional 620,122 shares held by Lehrs, Inc. The shares held by Lehrs, Inc. are also included in the total number of shares held by



Mr. Fox. Mr. Fox disclaims beneficial ownership of any of these shares.

- (7) See also the footnotes for Mr. Gerlach in the beneficial ownership table listed previously within this Proxy Statement.
- (8) For purposes of this calculation, the 620,122 shares held by Lehrs, Inc. have only been counted once.
- (9) Includes 1,100 shares of restricted stock received pursuant to the terms of the 2005 Stock Plan. The restricted stock vests three years from the grant date, or earlier upon a change in control of the Corporation, or the death or disability of the recipient.
- (10) Includes 1,819 shares available from vested stock appreciation rights, assuming exercise on September 17, 2010.

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**COMPENSATION DISCUSSION AND ANALYSIS**

In this section, we discuss the principles underlying our executive compensation policies and decisions and the most important factors relevant to an analysis of these policies and decisions. We provide qualitative information regarding the manner and context in which compensation is awarded to, and earned by, our executive officers to give perspective to the data we present in the compensation tables below, as well as the narratives that follow the tables.

**Executive Compensation Program Philosophy and Objectives**

During 2010, we continued our shift away from our historical diversity of operations, instead choosing to follow a more food-focused strategy that we believe will best enhance long-term shareholder value. As we continued with this shift, our outlook has remained to reward our named executive officers (identified in our 2010 Summary Compensation Table below) for their efforts in helping us achieve market or above-market results, particularly within our Specialty Foods operations, and for helping us take important steps to meet our long-term strategic goals and increase long-term shareholder value. As a result, our basic executive compensation philosophy remains to pay for performance.

For us, a pay for performance philosophy means providing market compensation packages when performance meets our expectations, but also realizing that results below our expectations may result in below-market compensation packages. To further this philosophy, we have designed our executive compensation program to achieve the following objectives:

attract, motivate and retain key executive talent;

incentivize our named executive officers to help us achieve superior financial and operational performance; and

continue to align our named executive officers' compensation interests with our goal of creating long-term shareholder value.

We continue to believe that our executive compensation program should not be overly influenced by the short-term performance of our stock, but should instead promote long-term shareholder value. Our named executive officers are already individually focused on promoting long-term shareholder value because they are each significantly invested in our Common Stock. Our experience, however, has been that utilizing salary, annual cash incentive awards, and long-term equity-based awards as the primary elements of our executive compensation program is the best way to continue to align our executives' compensation interests with our goal of promoting long-term shareholder value. We also understand that our executive compensation program provides a starting point, or baseline of comparison, for the compensation that we pay to our other employees. For this reason, we believe our executive compensation program should strike an appropriate balance among rewards, incentives and expectations.

While these broad concepts generally govern our executive compensation program, we also take into account specific factors particular to each executive officer when making individual compensation decisions, which we describe in detail below. These factors consist of the executive's range of responsibilities and related performance measures and other individual factors affecting each executive's performance. We also engage in a general double-check of our executive compensation levels against amounts paid to executive officers with similar responsibilities in similarly situated companies, but we do not specifically benchmark compensation against percentiles or ranges of compensation provided by such companies.

**Compensation Administration and Consultant**

The Compensation Committee reviews and determines the compensation for our named executive officers. The compensation that we paid our named executive officers for fiscal years 2008, 2009 and 2010 is disclosed in detail in the tables and narratives below under the heading Executive Compensation. Our Compensation Committee is also responsible for, among other things, structuring and administering the compensation programs and plans in which our named executive officers participate.

During fiscal year 2010, management engaged and retained, with the approval of the Compensation Committee, the services of an independent executive compensation consultant, Pearl Meyer & Partners, which we refer

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to as PM&P, to reevaluate the annual cash incentive program for certain members of senior management in our Specialty Foods segment, including Mr. Rosa. In addition, PM&P provided limited information regarding median compensation for certain executives, including Mr. Boylan and Mr. Rosa, which information was used by the Compensation Committee to obtain a general understanding of current compensation practices in our competitive market rather than benchmarking. The total amount paid to PM&P for these services was less than \$50,000. The Compensation Committee does not believe that this work affected the independence of PM&P based on a number of factors, including the limited scope of the services provided and the fact that the work on the cash incentive plan related only to members in the Specialty Foods segment, who are not involved in decisions regarding the retention of PM&P.

In 2009, PM&P had been engaged by the Compensation Committee to provide recommendations regarding changes to a peer group we use to obtain general information about current compensation practices, including the range of market compensation, as well as a review of the competitiveness of our compensation programs for our named executive officers. We implemented the changes to our peer group recommended by PM&P, as described in our 2009 Proxy Statement. Our peer group for 2010 remains unchanged from the peer group identified in our 2009 Proxy Statement, and consists of the following companies:

|                                      |                                |
|--------------------------------------|--------------------------------|
| Alberto-Culver Company               | Imperial Sugar Company         |
| American Italian Pasta Company       | J&J Snack Foods Corp.          |
| B&G Foods, Inc.                      | Lance, Inc.                    |
| Bare Escentuals, Inc.                | Nu Skin Enterprises, Inc.      |
| Cal-Maine Foods, Inc.                | Revlon, Inc.                   |
| Central Garden & Pet Company         | Sanderson Farms, Inc.          |
| Coca-Cola Bottling Co. Consolidated  | Sanfilippo John B & Son, Inc.  |
| Darling International Inc.           | Seneca Foods Corporation       |
| Diamond Foods, Inc.                  | The Hain Celestial Group, Inc. |
| Elizabeth Arden, Inc.                | Tootsie Roll Industries, Inc.  |
| Green Mountain Coffee Roasters, Inc. | TreeHouse Foods, Inc.          |
| Hansen Natural Corporation           |                                |

In 2008, PM&P provided our Compensation Committee with recommendations regarding changes in our long-term equity incentive program based on characteristics of our competitive market, our goal to utilize equity compensation in a way that is more aligned with our compensation program philosophy and objectives and our overall corporate strategic objectives over the next several years (including primarily our decision to increase our focus on our food business). We continued to implement the recommended changes to our long-term equity compensation program with grants of restricted stock and stock-settled stock appreciation rights in 2009 and 2010. Details of these grants with

respect to our named executive officers are set forth below.

**Compensation Processes, Procedures and Comparison to Peer Group**

Generally, our Compensation Committee establishes salaries for the current fiscal year and annual cash incentive award payouts for the prior fiscal year at its regularly scheduled August meeting. Historically, at this meeting, our Compensation Committee first reviews the elements of each named executive officer's total compensation during the previous fiscal year. Our Chief Executive Officer then makes compensation recommendations to our Compensation Committee with respect to the executive officers who report to him, but those

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executive officers are not present in the meeting during compensation deliberations. The chairman of our Compensation Committee then makes compensation recommendations in executive session to our Compensation Committee with respect to our Chief Executive Officer, who is absent from the meeting at that time. Our Compensation Committee also compares our executive officers' compensation with that offered to executive officers employed by companies in our peer group, based on information supplied by PM&P, during the first part of the review process as a double-check against market compensation practices rather than as a formal benchmarking process. For our 2011 compensation decisions, PM&P provided limited information regarding competitive pay for Mr. Boylan and Mr. Rosa that was presented at the Compensation Committee's August 2010 meeting by our Chief Executive Officer.

Our Compensation Committee may accept or make adjustments to the recommendations it receives in establishing the final compensation for each of the named executive officers. In general, when setting each component of compensation for our named executive officers, our Compensation Committee considers the following performance factors:

- our previous year's operating results and whether we achieved our performance objectives;
- the relative value of the executive's unique skills, competencies and institutional knowledge;
- the executive's performance of management and officer responsibilities; and
- the executive's contribution toward our long-term strategic objectives and our goal of creating long-term shareholder value.

Our Chief Executive Officer's compensation is also approved by all of our independent directors.

Our Compensation Committee reevaluated our equity incentive program during fiscal 2007. We granted new awards in February 2008, 2009 and 2010, and we discuss these grants in more detail below. Due to his already significant equity interest in our Corporation, we generally do not award equity compensation to Mr. Gerlach.

With the exception of our Chief Executive Officer, as discussed in more detail below, we believe the total cash compensation paid to our named executive officers (the combination of salary and annual cash incentives) for fiscal 2010 was in line with the median compensation paid for executives holding similar positions in our peer group based on the Compensation Committee's general understanding of current compensation practices in our competitive market.

## **Primary Elements of Compensation**

We have established executive compensation objectives that are primarily focused on helping us create long-term shareholder value. We believe that we can best achieve all of our executive compensation program objectives by offering competitive short-term cash compensation combined with appropriate long-term equity-based compensation tied to our operating results and our achievement of incremental shareholder value. To this end, the primary elements of our executive compensation program are salary, annual cash incentive awards, and long-term equity-based incentive awards, which are each described in detail below. Generally, we look at our named executive officers' compensation arrangements in total when establishing salaries, annual cash and long-term equity incentive awards.

**Salaries.** We provide our named executive officers with annual salaries both to attract and retain the executives and to provide them with a steady source of annual cash-based income. For each named executive officer, salary represents a non- at risk cash component of compensation. We establish our salaries at levels designed to reward our named executive officers for their overall level of expertise, responsibilities, experience and other factors unique to

each individual executive officer, as determined by our Compensation Committee. However, our general policy is that salaries for our named executive officers should not exceed median salaries for executive officers with similar responsibilities within our peer group.

For fiscal year 2010, the amount of each named executive officer's salary increase, expressed as a percentage of such officer's fiscal year 2009 salary, was as follows: Mr. Gerlach, 3.64%; Mr. Boylan, 3.57% and Mr. Rosa, 5.26%. Salaries earned by our named executive officers for 2008, 2009 and 2010 appear below in the Salary

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column of our 2010 Summary Compensation Table. For fiscal year 2011, we have increased our named executive officers' salaries by an average of 4.44%.

The Compensation Committee determined to increase Mr. Gerlach's salary for fiscal year 2010 based upon his lengthy experience with the Corporation and the Board's continued satisfaction with his performance. The Compensation Committee determined to increase Mr. Boylan's salary for 2010 after considering Mr. Boylan's lengthy experience handling financial matters for us and his in-depth knowledge of our business, and the Compensation Committee's and Mr. Gerlach's satisfaction with Mr. Boylan's job performance as Chief Financial Officer during 2009. The Compensation Committee determined to increase Mr. Rosa's salary for 2010 due to the Compensation Committee's ongoing desire to ensure retention of Mr. Rosa's services within our Specialty Foods operations during our continuing shift to a more food-focused company. The Compensation Committee also considered Mr. Rosa's lengthy experience as President of our Specialty Foods Segment, and his specific knowledge of our Specialty Foods operations and strategic plan, and the Compensation Committee's and Mr. Gerlach's satisfaction with Mr. Rosa's job performance during 2009.

The Compensation Committee used its judgment in choosing to increase salaries for Messrs. Gerlach, Boylan and Rosa for 2010 by their respective amounts after taking into consideration Mr. Gerlach's recommendations, each executive's annual salary increases in prior years and the amount that our Compensation Committee understands to represent average salary increases among companies in our peer group over the past few years for officers holding similar positions.

***Annual Cash Incentive Awards.*** We also provide our named executive officers with annual cash incentive awards designed to motivate them to help us achieve our annual financial goals. The annual cash incentive award represents a performance-based, variable and at-risk cash component of compensation for each named executive officer. Under this program, our two named executive officers other than our Chief Executive Officer were each granted the opportunity to earn an annual cash incentive payment for fiscal 2010 based on our achievement of certain financial objectives. We granted this award to Mr. Rosa based on his responsibility for supervising the operations of our Specialty Foods segment and to Mr. Boylan based on his responsibilities as Chief Financial Officer.

Our Chief Executive Officer, Mr. Gerlach, does not participate in our annual cash incentive program. For fiscal 2010, however, the Compensation Committee awarded Mr. Gerlach a discretionary bonus of \$300,000 at the same time that bonuses were approved for our other named executive officers. Although the Compensation Committee has not previously awarded a bonus to Mr. Gerlach, the Compensation Committee granted a discretionary award this year to demonstrate the Board's high satisfaction with Mr. Gerlach's continued excellent performance as our Chief Executive Officer. Mr. Gerlach's total annual compensation remains well below the median of our peer group. Our Compensation Committee and Mr. Gerlach consider this result acceptable given his significant ownership interest and the resulting low probability of his leaving the Corporation.

For each annual cash incentive award, our Chief Executive Officer retains discretionary authority to modify the financial targets and raise or lower the computed incentive payment by up to 5% based on his qualitative assessment of the executive's overall development during the course of the fiscal year. With respect to Mr. Rosa, however, the discretionary adjustment range is being adjusted for future years as discussed below. Our Compensation Committee also retains authority to make further adjustments to the computed annual cash incentive payments. An annual cash incentive payment, if earned, is made in the fiscal year following the year in which it is earned. Annual cash incentive payments earned by our named executive officers for fiscal years 2008, 2009 and 2010 appear below in the Bonus and/or Non-Equity Incentive Plan Compensation columns of our 2010 Summary Compensation Table.

For fiscal year 2010, Mr. Rosa received the opportunity to earn a cash incentive payment equal to 0.35%, rounded to the nearest hundred, of our Specialty Foods segment's value-added income for fiscal year 2010. Our Compensation



Committee first established 0.35% of Specialty Foods value-added income as the annual incentive opportunity for Mr. Rosa in 2004, and we have continued to view this as a fair annual incentive opportunity from year to year since 2004. We define value-added income as the amount by which the fiscal year operating income of our Specialty Foods segment exceeds a target level of income. We determine the applicable target level of income by multiplying the segment's pre-tax cost of capital by the segment's average net assets (defined as including accounts receivable; inventory; prepaid expenses; property, plant and equipment; other assets; goodwill; current

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liabilities; deferred taxes and other non-current liabilities). We then calculate value-added income by subtracting target income from operating income. For our Specialty Foods segment in fiscal year 2010, average net assets equaled approximately \$293 million, pre-tax cost of capital was approximately 18.75%, target income equaled approximately \$54.9 million, and operating income exceeded target income by approximately \$121 million. We utilized operating income and average net assets as the performance metrics for Mr. Rosa's award because we continue to believe that use of these metrics was the best way to incentivize him to employ the Specialty Foods segment's net assets efficiently. For fiscal year 2010, our Chief Executive Officer and our Compensation Committee again exercised discretion to modify the annual cash incentive payment to Mr. Rosa by adding a discretionary payment of 5% onto the calculated incentive payment of \$424,400, resulting in a total bonus payment of \$445,620. Both our Chief Executive Officer and the Compensation Committee believe the additional discretionary bonus was appropriate in part to recognize Mr. Rosa's ongoing role in our strategic transition that emphasizes our food business.

Beginning in fiscal 2011, the Compensation Committee has implemented changes to the incentive plan for Mr. Rosa. These changes were based upon the review and recommendations provided by PM&P during 2010 and were also recommended by our Chief Executive Officer. The change will affect Mr. Rosa's bonus as follows: after calculating Mr. Rosa's bonus based on the formula described above, the resulting amount is adjusted between 85% and 115% of the calculated value depending on annual revenue growth in the Specialty Foods segment between 2.5% and 8.5%. For example, assuming a calculated bonus under the current formula of \$424,400, if annual revenue growth in 2011 is 2.5%, the calculated amount would be adjusted to 85% of its value, or \$360,740. If annual revenue growth is instead 8.5%, then the calculated amount would be adjusted to 115% of its value, or \$488,060. In addition, beginning in fiscal 2011, the bonus amount is subject to a further discretionary adjustment of plus or minus 20% based upon individual performance, rather than the 5% discretionary adjustment we have used historically. These changes are expected to be implemented not only for Mr. Rosa but for certain other key personnel in the Specialty Foods segment. The purpose of the change is to provide an additional incentive to drive growth. While the incentive plan is still based primarily on value added income, the Compensation Committee believes that providing incentives related to income and revenue growth will enhance the long term value of the Corporation and is in the best interest of the shareholders.

Mr. Boylan's fiscal year 2010 award represented the opportunity to earn a cash incentive payment equal to 0.45%, rounded to the nearest hundred, of our consolidated value-added income for fiscal year 2010. For purposes of Mr. Boylan's award opportunity, we define value-added income as the amount by which fiscal year consolidated operating income exceeds a target level of income. We determine the applicable target level of income by multiplying consolidated pre-tax cost of capital by consolidated average net assets (defined as including accounts receivable; inventory; prepaid expenses; property, plant and equipment; other assets; goodwill; current liabilities; deferred taxes and other non-current liabilities). We then calculate value-added income by subtracting target income from operating income. For our consolidated operations in fiscal year 2010, average net assets equaled approximately \$374 million, pre-tax cost of capital was approximately 18.75%, target income equaled approximately \$70.1 million, and operating income exceeded target income by approximately \$104 million. We utilized consolidated operating income and average net assets as the performance metrics for Mr. Boylan's award because we believe use of these metrics was the best way to incentivize him to employ our consolidated net assets efficiently.

Under the foregoing formula, Mr. Boylan's cash incentive calculation for fiscal 2010 was \$468,400 (compared to the \$572,000 he earned under the formula used for fiscal year 2009). The significant decrease in Mr. Boylan's cash incentive compared to fiscal 2009 was not due to a drop in fiscal performance. As mentioned above, we achieved record operating and net income in 2010. The decrease in Mr. Boylan's cash incentive related to the adjustment made last year in Mr. Boylan's cash incentive formula. In fiscal 2008 and 2009, Mr. Boylan's calculated annual cash incentives were significantly lower and significantly higher, respectively, than the median for our peer group and also significantly different from Mr. Rosa's annual cash incentive. In both previous years, the Compensation Committee used discretion to adjust Mr. Boylan's bonus payout for the year and also adjusted Mr. Boylan's annual cash incentive formula in an effort to bring future calculated amounts closer to the Compensation Committee's expectations. Thus, for

fiscal year 2010, Mr. Boylan's cash incentive payment was decreased to 0.45% of consolidated value-added income from the 2009 level of 1.0% of consolidated value-added income.

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After reviewing the final results of the calculations for fiscal 2010, the Compensation Committee was pleased with the bonus resulting from Mr. Boylan's formula and determined that no further adjustments were necessary for the current year. For these reasons, the Compensation Committee did not make any discretionary adjustments to Mr. Boylan's 2010 bonus calculation.

***Long-Term Equity-Based Incentive Awards.*** Until 2008, we used stock options as the primary vehicle for providing our named executive officers with long-term incentives for their efforts in helping to create long-term shareholder value. We have also considered stock options as a retention tool for executive talent. Both of these factors have helped our Compensation Committee determine in past years the type of award and the number of underlying shares that it granted in connection with an equity incentive award.

However, during fiscal year 2008, with the assistance of PM&P, we moved away from our reliance on stock options as our equity incentive compensation instrument. We had historically believed that granting stock options was the best method for motivating named executive officers to manage our Corporation in a manner consistent with the long-term interests of our shareholders because of the direct relationship between the value of a stock option and the market price of our Common Stock. The following factors, however, caused us to reevaluate this approach:

the evolution of regulatory, tax and accounting treatment of equity incentive programs;

developments in our strategic objectives; and

the study of our equity-based incentive program that took place during fiscal year 2007.

Based on these factors, in February 2008 and continuing in February 2009 and 2010, we began granting our long-term equity incentives in the form of time-based stock-settled stock appreciation rights, or appreciation rights, and time-based restricted stock instead of stock options. Messrs. Boylan and Rosa each received 14,000 appreciation rights and 500 shares of restricted stock as part of our February 2010 grants pursuant to our form agreements for appreciation rights and restricted stock awards. Similar to our prior years' grants of stock options, these grants of appreciation rights and restricted stock were made under our 2005 Stock Plan previously approved by our shareholders and submitted for re-approval for tax deductibility reasons this year. The Compensation Committee believes these awards represent an appropriate level of additional annual compensation that is aligned with the creation of long-term shareholder value and that provides an additional retention tool for executive talent.

Appreciation rights give holders the right to receive stock in our Corporation equal in market value to the difference between the closing market price of our stock on the day of exercise and the base price established for the appreciation rights, as set forth in the appreciation rights award agreement, multiplied by the number of appreciation rights exercised. The base price for appreciation rights equals the closing price of our stock on the date on which the appreciation rights are granted, which for the February 2010 grants was \$58.79. Appreciation rights cannot be exercised until they are vested, and we have currently chosen for retention purposes that appreciation rights should vest over time as follows: one-third of the total award will vest on each of the first, second and third anniversaries of the grant date. The appreciation rights will vest earlier upon a change of control of the Corporation. The appreciation rights award agreement also provides that the appreciation rights will expire on the earlier of five years from the grant date or 90 days after the grantee's employment with the Corporation ceases other than as a result of his or her death or disability, as described in more detail in the award agreement. As a result, the appreciation rights granted in February 2008 must be exercised no later than February 27, 2013, the appreciation rights granted in February 2009 must be exercised no later than February 25, 2014 and the appreciation rights granted in February 2010 must be exercised no later than February 24, 2015.

The Compensation Committee granted new awards of restricted stock on the same day as the appreciation rights awards. Unlike the appreciation rights, the shares of restricted stock do not vest ratably, but vest in total on the third anniversary of the grant date. The restricted stock will vest earlier upon a change of control of the Corporation. Once vested, the restricted stock may be traded in the same manner as other shares. Each recipient of restricted stock will receive dividends on the restricted stock during the vesting period, but will forfeit all unvested restricted stock if his or her employment with the Corporation ceases other than as a result of his or her death or disability, as described in more detail in the award agreement.

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In total, we granted 167,950 appreciation rights and 33,435 shares of restricted stock under our 2005 Stock Plan during fiscal year 2010. The Compensation Committee did not utilize any specific formulas, mathematical calculations or peer group comparisons when determining the amounts of appreciation rights and restricted stock that it granted to individual employees, including our named executive officers, during 2010. Instead, the 2010 grants, including the grants to Mr. Boylan and Mr. Rosa, were made solely in the Compensation Committee's judgment based on recommendations from Mr. Gerlach and motivated solely by the Compensation Committee's desire to award each employee enough value to achieve our retention and motivation objectives discussed above. In the Compensation Committee's view, the amounts awarded in 2010 were necessary to help us retain executive talent and provide reasonable incentives for our executive talent to work to create long-term shareholder value.

We did not make any grants of stock options during fiscal year 2010. At this time, it is our intention to continue to make long-term equity incentive awards in the form of only appreciation rights and restricted stock using the forms we have filed with the SEC because we believe these types of equity awards offer our employees, including our named executive officers, the best form of retention and motivation incentive that is also aligned with the long-term interests of our shareholders. We also currently expect that the Compensation Committee will continue to use its judgment, based, in part, on recommendations by our Chief Executive Officer, to determine the appropriate level of appreciation rights and restricted stock awards because this gives the Compensation Committee the most flexibility to make awards in amounts necessary to help us achieve our long-term objectives. At this time, the Compensation Committee has not made any determinations about awards for fiscal year 2011 or future years.

**Other Benefits**

Our named executive officers are also eligible to participate in our employee benefit plans available to all salaried employees, including our 401(k) savings plans, health insurance plan and group life insurance plan. These other benefits are discussed in detail below. In addition, our named executive officers participate in our deferred compensation program. We also make some post-termination payments and benefits available to our named executive officers, as described in detail below. The value of these benefits are reviewed annually by our Compensation Committee, but are not generally considered as part of the overall compensation program for purposes of allocating among cash, equity and other compensation.

**Perquisites.** We do not believe that providing perquisites to our named executive officers helps us achieve any of our compensation program objectives, including the promotion of long-term shareholder value. We limit the perquisites made available to our named executive officers that are not otherwise available to all salaried employees, and believe that this arrangement is consistent with our "pay for performance" philosophy. During fiscal year 2010, we offered our named executive officers only the following perquisites: corporate automobile allocations and related insurance premium payments, except for the Chief Executive Officer and Chief Financial Officer; and life insurance and travel insurance premium payments. More detailed information about perquisites for fiscal year 2010 is presented below in the "All Other Compensation" column of our 2010 Summary Compensation Table.

**Executive Deferred Compensation Program.** The Lancaster Colony Corporation Executive Employee 2005 Deferred Compensation Plan, which we refer to as our nonqualified deferred compensation plan, allows our named executive officers to defer up to \$50,000 of their annual base compensation for future payment. Under the nonqualified deferred compensation plan, amounts deferred by our named executive officers are maintained in separate book-entry accounts. Interest on the deferred amounts is credited semi-annually on June 30 and December 31 with an annual rate of interest equal to the prime interest rate reported in the Wall Street Journal on the first business day in January (for the June 30 credit) and July (for the December 31 credit). We do not match amounts that are deferred. Distributions from the nonqualified deferred compensation plan are paid upon termination of employment (including death or disability), and the named executive officer may elect to receive payments in either a lump sum or a series of installments upon termination. We do not fund the nonqualified deferred compensation plan, and participants have only an unsecured

contractual commitment from us to pay the amounts due. More detailed information about the nonqualified deferred compensation plan is presented below in our 2010 Nonqualified Deferred Compensation Table and related narrative.

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***Health and Welfare Benefits.*** We provide healthcare, life and disability insurance and other employee benefits programs to our employees, including our named executive officers. We believe that these benefits are competitive within our peer group and, while not separate incentives by themselves because they do not help us achieve any of our compensation program objectives, are essential and expected parts of any compensation program. Our benefits and risk management department is responsible for overseeing the administration of these programs. Our employee benefits programs are provided on a non-discriminatory basis to all employees. These benefits include vacation and personal time, paid holidays, medical and long and short-term disability insurance programs.

## **Retirement Benefits**

***Pension Benefits.*** We do not provide defined benefit pension arrangements or post-retirement health coverage for our named executive officers, as we do not believe that providing these types of benefits to our named executive officers helps us achieve any of our compensation program objectives, including the promotion of long-term shareholder value.

***401(k) Savings Plan.*** All of our named executive officers participate in our Lancaster Colony Corporation 401(k) Savings Plan, a tax-qualified defined contribution plan that we refer to as our 401(k) Plan. We believe that this benefit is competitive within our peer group and, while not a separate incentive by itself because it does not help us achieve any of our compensation program objectives, it is an essential and expected part of any compensation program. Under the 401(k) Plan, each employee may contribute up to 25% of eligible compensation on a before-tax basis into an individual account (subject to limits established by the Internal Revenue Service). In any fiscal year, we will contribute to each participant's account a matching contribution equal to 40% of the first 4% of the participant's compensation that has been contributed to the 401(k) Plan. Partial withdrawals from the 401(k) Plan are permitted through a loan or based on financial hardship. Single lump sum withdrawals are permitted upon an employee's termination of employment.

Effective for calendar year 2010, the 401(k) Plan limits the annual additions that can be made to an employee's account to \$49,000 per year. Annual additions include matching contributions and before-tax contributions made by the employee. Of those annual additions, the current maximum before-tax contribution is \$16,500 per year and no more than \$245,000 of annual compensation may be taken into account in computing benefits under the 401(k) Plan.

Participants age 50 and over may also contribute, on a before-tax basis, and without regard to the \$49,000 limitation on annual additions or the \$16,500 general limitation on before-tax contributions, a catch-up contribution of up to \$5,500 per year. Matching contributions from us that were paid to our named executive officers during fiscal year 2010 are included in the "All Other Compensation" column of our 2010 Summary Compensation Table.

***Employee Stock Ownership Plan.*** The Lancaster Colony Corporation Employee Stock Ownership Plan, or ESOP, is another of our tax-qualified retirement plans. The ESOP was frozen on December 31, 1997 when it was amended to prevent further participation and contributions and to vest fully existing account balances. The ESOP was designed to invest primarily in employer securities as defined in Section 409(l) of the Internal Revenue Code. The ESOP continues to offer a pre-retirement diversification right, and dividends are distributed (upon election by the participant) in the form of cash or can be reinvested in our stock and credited to a participant's account. Distributions in the form of a single lump sum or in five annual installments are made upon a participant's termination of employment.

## **Employment and Severance Agreements**

We do not maintain employment agreements with any of our named executive officers. We have entered into Key Employee Severance Agreements with Mr. Boylan and Mr. Rosa that specify cash payments in the event the named



executive officer's employment is terminated other than for cause or terminated by the executive officer for good reason within one year after a change in control (the terms cause, good reason and change in control are each defined in the agreements). In addition, the named executive officer will be entitled to participate in any health, disability and life insurance plans in which the executive participated at the time of termination, on the same basis, for a period of one year following termination. The agreements do not require the named executive officers to

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mitigate the amount of benefits paid by seeking other employment, and the benefits payable under the agreements are not subject to reduction for other compensation earned by the named executive officers after termination. The agreements do not have an expiration date. We believe that these agreements were necessary for us to attract and retain these two named executive officers. See further disclosure below under Potential Payments Upon Termination or Change in Control for more information.

## **Stock Ownership Guidelines**

As discussed above and as disclosed above in our beneficial ownership tables, our named executive officers already have a substantial equity interest in our Corporation. As a result, we do not have a formal policy requiring that our named executive officers own any predetermined amount of our stock. However, as indicated above, a primary objective of our pay for performance philosophy is to align our named executive officers' compensation interests with our goal of creating long-term shareholder value. We therefore encourage our current named executive officers to continue to maintain an equity ownership in the Corporation, which ownership further aligns their compensation interests with the interests of our shareholders.

## **Recoupment of Incentive Payments**

We do not have a formal policy regarding adjusting or recovering annual cash incentive payments or long-term equity-based incentive awards if the relevant performance metrics upon which such awards or payments are based are later restated or otherwise adjusted in a manner that reduces the actual size of the award or payment. Instead, we will consider making adjustments or recoveries on a case-by-case basis if those situations arise, and expect to comply with all recoupment requirements imposed under the Dodd-Frank Wall Street Reform and Consumer Protection Act when such requirements are effective.

## **Accounting and Tax Considerations**

Regulations issued under Section 162(m) of the Internal Revenue Code provide that compensation in excess of \$1 million paid to our named executive officers will not be deductible unless it meets specified criteria required for it to be performance based. In general, our Compensation Committee considers the potential impact of Section 162(m) in its review and establishment of compensation programs and payments. However, our Compensation Committee also reserves the right to provide compensation that does not meet the exemption criteria if, in its sole discretion, it determines that doing so advances our business objectives. Currently, we have no individuals with non-performance based compensation paid in excess of the Internal Revenue Code Section 162(m) tax deduction limit.

## **Compensation-Related Risk Assessment**

The Compensation Committee has reviewed and discussed the structure of our compensation program from the point of view of assessing whether any aspect of the program could potentially be expected to provide an incentive to our executive officers or other employees to take any unnecessary or inappropriate risks that could threaten our operating results, financial condition or impact long-term shareholder value. The Compensation Committee conducted an assessment of our incentive-based compensation plans (including the annual and long-term incentive programs) and our compensation practices. Further, the Compensation Committee discussed the structure of the compensation program with the Chairman of the Board and Lead Independent Director.

Based on our internal controls, policies and risk-mitigating components in our incentive arrangements currently in place, informal input from PM&P, discussions with the Chairman of the Board and Lead Independent Director, as well as the Compensation Committee's formal review and discussion, the Compensation Committee believes our compensation programs represent an appropriate balance of short-term and long-term compensation and do not

encourage executive officers or other employees to take unnecessary or excessive risks that are reasonably likely to have a material adverse effect on the Corporation.

Table of Contents**EXECUTIVE COMPENSATION****Executive Officers**

The following is a list of the names and ages of all of the executive officers of the Corporation indicating all positions and offices held by each such person and each person's principal occupation or employment during the past five years. No person other than those listed below has been chosen to become an executive officer. The executive officers are elected annually by the Board:

| <b>Name</b>          | <b>Principal Occupation</b>   | <b>Age</b> | <b>Executive Officer Since</b> |
|----------------------|---|------------|--------------------------------|
| John B. Gerlach, Jr. | Chairman of the Board, Chief Executive Officer and President of the Corporation since 1997  | 56         | 1982                           |
| John L. Boylan       | Chief Financial Officer and Vice President of the Corporation since 1996; and Treasurer of the Corporation since 1990                                       | 55         | 1990                           |
| Bruce L. Rosa        | President of T. Marzetti Company, a food processing subsidiary of the Corporation, since 2003; and Vice President Development of the Corporation since 1998 | 61         | 1998                           |

The following tables and narratives provide descriptions of the compensation paid by us for the fiscal year ended June 30, 2010, to Mr. John B. Gerlach, Jr., Mr. John L. Boylan and Mr. Bruce L. Rosa. We refer to these three individuals as our named executive officers. The 2010 Summary Compensation Table below also provides a summary description of the compensation we paid to our named executive officers for the fiscal years ended June 30, 2009 and 2008.

**2010 Summary Compensation Table**

The following table summarizes compensation earned during the 2010, 2009 and 2008 fiscal years by our named executive officers:

| <b>Name and Principal Position</b><br><b>(a)</b>                           | <b>Fiscal Year</b><br><b>(b)</b> | <b>Salary</b><br><b>(\$)(1)</b><br><b>(c)</b> | <b>Bonus</b><br><b>(\$)(2)</b><br><b>(d)</b> | <b>Stock Awards</b><br><b>(\$)(3)</b><br><b>(e)</b> | <b>Option Awards</b><br><b>(\$)(4)</b><br><b>(f)</b> | <b>Non-Equity Incentive Plan Compensation</b><br><b>(\$)(5)</b><br><b>(g)</b> | <b>Nonqualified Deferred Compensation Earnings</b><br><b>(\$)(6)</b><br><b>(h)</b> | <b>Change in Pension Value and All Other Compensation</b><br><b>(\$)(7)</b><br><b>(i)</b> | <b>Total Compensation</b><br><b>(\$)(8)</b><br><b>(j)</b> |
|--|----------------------------------|---|--|---|--|---|--|---|---|
|  |                                  |   |  |   |  |   |  |   |   |
| John B. Gerlach, Jr.,<br>Chairman of the Board,<br>Chief Executive Officer | 2010                             | \$ 855,000                                    | \$ 300,000                                   | \$ 0  | \$ 0   | \$ 0  | \$ 0   | \$ 3,628(6)   | \$ 1,155,628  |
|  | 2009                             | \$ 825,000                                    | \$ 0   | \$ 0  | \$ 0   | \$ 0  | \$ 0   | \$ 3,449  | \$ 828,449  |
|  | 2008                             | \$ 800,000                                    | \$ 0   | \$ 0  | \$ 0   | \$ 0  | \$ 0   | \$ 7,008  | \$ 807,008  |

|                              |      |            |            |           |            |            |      |             |         |
|------------------------------|------|------------|------------|-----------|------------|------------|------|-------------|---------|
| President                    |      |            |            |           |            |            |      |             |         |
| Mr. Boylan,                  | 2010 | \$ 435,000 | \$ 0       | \$ 29,395 | \$ 165,340 | \$ 468,400 | \$ 0 | \$ 3,628(6) | \$ 1,10 |
| Mr. Gerlach, Vice President, | 2009 | \$ 420,000 | \$ 0       | \$ 11,958 | \$ 82,680  | \$ 335,000 | \$ 0 | \$ 3,068    | \$ 85   |
| Chief Financial Officer      | 2008 | \$ 410,000 | \$ 105,000 | \$ 11,493 | \$ 72,000  | \$ 13,700  | \$ 0 | \$ 14,101   | \$ 62   |
| Mr. L. Rosa,                 | 2010 | \$ 400,000 | \$ 21,220  | \$ 29,395 | \$ 165,340 | \$ 424,400 | \$ 0 | \$ 6,685(7) | \$ 1,04 |
| Mr. T. Marzetti              | 2009 | \$ 380,000 | \$ 15,695  | \$ 11,958 | \$ 82,680  | \$ 313,900 | \$ 0 | \$ 7,278    | \$ 81   |
| Mr. Marzetti and Vice        | 2008 | \$ 370,000 | \$ 5,710   | \$ 11,493 | \$ 72,000  | \$ 114,200 | \$ 0 | \$ 8,920    | \$ 58   |
| President Development        |      |            |            |           |            |            |      |             |         |

- (1) The amounts shown in this column for 2010 include amounts deferred by our named executive officers under our nonqualified deferred compensation plan, which is further discussed above under Compensation Discussion and Analysis and below in the 2010 Nonqualified Deferred Compensation Table and accompanying narrative.
- (2) As discussed under Compensation Discussion and Analysis above, the amount reported for Mr. Gerlach for 2010 represents a discretionary bonus awarded by the Compensation Committee and the amount reported for Mr. Rosa for 2010 represents a discretionary increase under our annual cash incentive award program.
- (3) The amounts reported in the Stock Awards column reflect the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or

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FASB ASC Topic 718, of the restricted stock granted during the reported years (please note that, in accordance with SEC guidance, we have recomputed the amounts reported in this column (and the Total column) for fiscal 2009 and 2008 to conform to this manner of presentation). The assumptions used in determining these valuations are the same as those used in our financial statements. For fiscal 2010, those assumptions can be found in footnote 8 to the financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010. See the 2010 Grants of Plan-Based Awards table below for additional information regarding the restricted stock awarded in fiscal 2010.

- (4) The amounts reported in the Option Awards column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of the stock-settled stock appreciation rights granted during the reported years (please note that, in accordance with SEC guidance, we have recomputed the amounts reported in this column (and the Total column) for fiscal 2009 and 2008 to conform to this manner of presentation). The assumptions used in determining these valuations are the same as those used in our financial statements. For fiscal 2010 those assumptions can be found in footnote 8 to the financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010. See the 2010 Grants of Plan-Based Awards table below for additional information regarding the stock-settled stock appreciation rights awarded in fiscal 2010.
- (5) The amounts shown in this column for 2010 represent amounts computed for fiscal year 2010 performance under our annual cash incentive award program. As discussed under Compensation Discussion and Analysis above, these amounts were based on our achievement of certain financial objectives. See Compensation Discussion and Analysis for more information about our annual cash incentive award program.
- (6) This amount consists of (A) \$2,899 in matching contributions to our 401(k) Savings Plan, (B) \$648 in life insurance premium payments and (C) \$81 in travel insurance premium payments.
- (7) This amount consists of (A) \$2,899 in matching contributions to our 401(k) Savings Plan, (B) \$2,314 allocated for personal use of a corporate automobile, (C) \$743 in automobile insurance premium payments, (D) \$648 in life insurance premium payments and (E) \$81 in travel insurance premium payments.

**2010 Grants of Plan-Based Awards Table**

The following table shows all plan-based awards granted to our named executive officers during fiscal year 2010.

| Name | Grant Date | Non-Equity Incentive Plan Awards |            |         | Estimated Possible Payouts Under Incentive Plan Awards |         |         | Estimated Future Payouts Under Equity Incentive Plan Awards | All Other Stock Awards: Number of Shares of Stock or Units | All Other Option Awards: Number of Securities or Underlying Options | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$) |
|------|------------|----------------------------------|------------|---------|--|---------|---------|---|--|---|---|---|
|      |            | Grant Threshold                  | Target     | Maximum | Threshold  | Maximum | Maximum |   |  |   |   |   |
| (a)  | (b)        | (\$)(c)                          | (\$)(1)(d) | (\$)(e) | (#)(f)   | (#)(g)  | (#)(h)  | (#)(2)(i)   | (#)(3)(j)  | (\$/Sh)(k)  | (\$)(l)   |   |

|   |         |            |     |        |          |            |
|---|---------|------------|-----|--------|----------|------------|
| John B.<br>Gerlach,<br>Jr.<br>John L.<br>Boylan |         | \$ 335,000 |     |        |          |            |
|   | 2/24/10 |            | 500 |        |          | \$ 29,395  |
|   | 2/24/10 |            |     | 14,000 | \$ 58.79 | \$ 165,340 |
| Bruce L.<br>Rosa                                |         | \$ 313,900 |     |        |          |            |
|   | 2/24/10 |            | 500 |        |          | \$ 29,395  |
|   | 2/24/10 |            |     | 14,000 | \$ 58.79 | \$ 165,340 |

- (1) As we described in Compensation Discussion and Analysis above, under our annual cash incentive program, Mr. Boylan and Mr Rosa each receive a fiscal year incentive payment, the amount of which is primarily determined by applying a percentage rate to either the value-added income attributable to the entire Corporation or the value-added income attributable to our Specialty Foods segment, as applicable for each named executive officer. The resulting cash incentive calculation is subject to discretionary adjustment on recommendation by our Chief Executive Officer and approval by our Compensation Committee. For fiscal year 2010, our Compensation Committee exercised discretion in increasing Mr. Rosa's payment by \$21,220, as more fully described in Compensation Discussion and Analysis above.

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Because value-added income changes from year-to-year, we are unable to determine in advance the target amounts for annual cash incentive awards under our annual cash incentive program. The amounts reflected in column (d) of the above table represent estimated possible payouts for fiscal year 2010 based on fiscal year 2009 actual performance, as required by applicable guidance. These amounts are not indicative of the actual amounts Messrs. Boylan and Rosa received under the annual cash incentive program for fiscal year 2010 for the reasons explained above in Compensation Discussion and Analysis. The total annual cash incentive payments for our named executive officers for our performance in fiscal year 2010 were determined by our Compensation Committee on August 18, 2010, and are reflected in columns (d) and/or (g) of our 2010 Summary Compensation Table above. For more information about our annual cash incentive program, see Compensation Discussion and Analysis above.

- (2) These amounts represent shares of restricted stock that were granted on February 24, 2010 pursuant to our 2005 Stock Plan. The restricted stock is expected to fully vest on February 24, 2013. The grant date fair value per share was \$58.79.
- (3) These amounts represent stock-settled stock appreciation rights that were granted on February 24, 2010 pursuant to our 2005 Stock Plan. The stock-settled stock appreciation rights vest ratably over a three-year period beginning on February 24, 2011, can be exercised for up to five years from the date of grant, and are expected to fully vest on February 24, 2013. The Black-Scholes determined grant date fair value per right was \$11.81. The amounts reported in column (l) for these awards represent the grant date fair market value computed in accordance with FASB ASC Topic 718.

None of our named executive officers is a party to an employment agreement with us, but Mr. Boylan and Mr. Rosa are parties to Key Employee Severance Agreements with us. For more information about these severance agreements, see Compensation Discussion and Analysis Employment and Severance Agreements above, and the disclosure below under Potential Payments Upon Termination or Change in Control. For more information about the other compensation arrangements in which our named executive officers participate and the proportion of our named executive officers total compensation represented by base salary and annual cash incentive payments or discretionary bonuses, also see Compensation Discussion and Analysis above.



**Table of Contents****Outstanding Equity Awards at 2010 Fiscal Year-End Table**

The following table shows all outstanding equity awards held by our named executive officers at the end of fiscal year 2010.

| Name<br>(a)                                     | Option Awards  |  |  |  |   | Stock Awards  |  |  |   |  |
|---|--|--|--|--|---|---|--|--|---|--|
|   | Number<br>of<br>Securities<br>Underlying<br>Unexercised<br>Options<br>(#)<br>(b) | Number<br>of<br>Securities<br>Underlying<br>Unexercised<br>Options<br>(#)<br>(c) | Equity<br>Incentive<br>Plan<br>Awards:<br>Number<br>of<br>Securities<br>Underlying<br>Unexercised<br>Options<br>(#)<br>(d) | Equity<br>Incentive<br>Plan<br>Awards:<br>Price<br>(\$)<br>(e) | Option<br>Expiration<br>Date<br>(f)             | Number<br>of<br>Shares<br>or<br>Units<br>of<br>Stock<br>That<br>Have<br>Not<br>Vested<br>(#)<br>(g) | Value of<br>Shares<br>or<br>Units<br>of<br>Stock<br>That<br>Have<br>Not<br>Vested<br>(\$)<br>(h) | Equity<br>Incentive<br>Plan<br>Awards:<br>Market<br>Incentive or<br>Plan Payout<br>Value<br>Awards:<br>of<br>Number<br>of<br>Unearned<br>Shares,<br>Units<br>Shares, or<br>Units<br>or<br>Other<br>Rights<br>That<br>Have<br>Not<br>Vested<br>(#)<br>(i) | Equity<br>Incentive<br>Plan<br>Awards:<br>Market<br>Incentive or<br>Plan Payout<br>Value<br>Awards:<br>of<br>Number<br>of<br>Unearned<br>Shares,<br>Units<br>Shares, or<br>Units<br>or<br>Other<br>Rights<br>That<br>Have<br>Not<br>Vested<br>(\$)<br>(j) |  |
| John B.<br>Gerlach,<br>Jr.<br>John L.<br>Boylan | 8,000(1)<br>4,000(2)   | 4,000(1)<br>8,000(2)<br>14,000(3)  |  | \$ 38.31<br>\$ 39.86<br>\$ 58.79                               | Feb. 27, 2013<br>Feb. 25, 2014<br>Feb. 24, 2015 |   |  |  |   |  |
|   |  |  |  |  |   | 300(4)<br>300(5)<br>500(6)  | \$ 16,008<br>\$ 16,008<br>\$ 26,680  |  |   |  |
|   | 12,000   | 26,000   |  |  |   | 1,100   | \$ 58,696  |  |   |  |
| Bruce L.<br>Rosa                                |  | 4,000(1)<br>8,000(2)   |  | \$ 38.31<br>\$ 39.86   | Feb. 27, 2013<br>Feb. 25, 2014                  |   |  |  |   |  |

|   |           |          |               |        |           |
|---|-----------|----------|---------------|--------|-----------|
|   | 14,000(3) | \$ 58.79 | Feb. 24, 2015 |        |           |
|   |           |          |               | 300(4) | \$ 16,008 |
|   |           |          |               | 300(5) | \$ 16,008 |
|   |           |          |               | 500(6) | \$ 26,680 |
| 0 | 26,000    |          |               | 1,100  | \$ 58,696 |

- (1) These stock-settled stock appreciation rights were granted on February 27, 2008 pursuant to our 2005 Stock Plan. The stock-settled stock appreciation rights vest ratably over a three-year period beginning on February 27, 2009, can be exercised for up to five years from the date of grant, and are expected to fully vest on February 27, 2011.
- (2) These stock-settled stock appreciation rights were granted on February 25, 2009 pursuant to our 2005 Stock Plan. The stock-settled stock appreciation rights vest ratably over a three-year period beginning on February 25, 2010, can be exercised for up to five years from the date of grant, and are expected to fully vest on February 25, 2012.
- (3) These stock-settled stock appreciation rights were granted on February 24, 2010 pursuant to our 2005 Stock Plan. The stock-settled stock appreciation rights vest ratably over a three-year period beginning on February 24, 2011, can be exercised for up to five years from the date of grant, and are expected to fully vest on February 24, 2013.
- (4) These shares of restricted stock were granted on February 27, 2008 pursuant to our 2005 Stock Plan. The restricted stock is expected to fully vest on February 27, 2011.
- (5) These shares of restricted stock were granted on February 25, 2009 pursuant to our 2005 Stock Plan. The restricted stock is expected to fully vest on February 25, 2012.
- (6) These shares of restricted stock were granted on February 24, 2010 pursuant to our 2005 Stock Plan. The restricted stock is expected to fully vest on February 24, 2013.

**Table of Contents****2010 Option Exercises and Stock Vested Table**

| Name<br>(a)          | Option Awards  |  | Stock Awards  |  |
|----------------------|--|--|---|--|
|                      | Number of<br>Shares<br>Acquired on<br>Exercise (#)<br>(b)(1) | Value Realized<br>on Exercise (\$)<br>(c)(1) | Number<br>of<br>Shares<br>Acquired<br>on<br>Vesting<br>(#)<br>(d) | Value<br>Realized<br>on Vesting<br>(\$)<br>(e) |
| John B. Gerlach, Jr. |  |  |   |  |
| John L. Boylan       | 15,000   | \$ 102,274                                   |   |  |
| Bruce L. Rosa        | 19,110   | \$ 374,992                                   |   |  |

(1) The amounts reported in columns (b) and (c) reflect the exercise during fiscal year 2010 of stock-settled stock appreciation rights and stock options by the named executive officers. The amounts reported in column (c) were computed using the aggregate number of shares/rights exercised and the closing price of our shares on the respective dates of exercise.

**2010 Pension Benefits**

We do not maintain any defined benefit plans or other plans with specified retirement benefits in which our named executive officers participate.

**2010 Nonqualified Deferred Compensation Table**

This table shows certain information for fiscal year 2010 for each of our named executive officers under our nonqualified deferred compensation plan.

| Name<br>(a)          | Executive<br>Contributions<br>in Last FY<br>\$(1)<br>(b) | Registrant<br>Contributions<br>in Last FY<br>(\$)<br>(c) | Aggregate<br>Earnings<br>in Last FY<br>\$(2)<br>(d) | Aggregate<br>Withdrawals/<br>Distributions<br>(\$)<br>(e) | Aggregate<br>Balance<br>at Last FYE<br>\$(3)<br>(f) |
|----------------------|--|--|---|---|---|
| John B. Gerlach, Jr. | \$ 25,000  |  | \$ 12,707   |   | \$ 412,953  |
| John L. Boylan       |  |  | \$ 4,402  |   | \$ 138,745  |
| Bruce L. Rosa        | \$ 12,500  |  | \$ 8,057  |   | \$ 260,094  |

(1) The amounts reported for our named executive officers in this column are fully reported as part of the salary for each named executive officer in column (c) of the 2010 Summary Compensation Table above.

- (2) None of the amounts reported for our named executive officers in this column are reported in the 2010 Summary Compensation Table above.
- (3) The following amounts reported for our named executive officers in this column have been previously reported as compensation in our Summary Compensation Table included in prior years proxy statements: Mr. Gerlach, \$62,500; Mr. Boylan, \$0; and Mr. Rosa, \$56,250.

For more information about our nonqualified deferred compensation plan, see Compensation Discussion and Analysis above.

### **Potential Payments Upon Termination or Change in Control**

Our named executive officers may terminate employment with us under a number of different scenarios, including retirement, voluntary termination for good reason, voluntary termination without good reason, involuntary termination without cause, involuntary termination for cause, termination in connection with a change in control, death and disability. Except as discussed below, we generally limit the payments or other forms of compensation that we will provide our named executive officers when their employment with us is terminated to compensation elements that we provide all our employees upon termination, namely payment of any earned but unpaid salary and accrued but unpaid vacation benefits.

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During fiscal year 2010, we were a party to Key Employee Severance Agreements with Mr. Boylan and Mr. Rosa that provide for them to receive certain cash payments and other benefits if their employment with us is terminated by us other than for cause or they resign for good reason within one year of a change in control of our Corporation. The terms cause, good reason and change in control are defined under these agreements. Cause generally means the employee's willful engaging in malfeasance or felonious conduct that in any material respect impairs the reputation, goodwill or business position of our Corporation or involves misappropriation of our funds or other assets. Good reason generally means termination triggered by certain reductions in compensation, duties and responsibility and authority or certain changes in place of employment. Change in control generally means an event reportable by us on Form 8-K as a change in control and certain significant changes in the ownership of our Common Stock or in the makeup of our Board.

Upon such a termination or resignation within one year of a change in control, we will pay to the terminated named executive officer in a lump sum cash payment an amount equal to the lesser of:

the sum of:

the executive officer's highest annual salary within the immediately preceding three full fiscal years plus

the executive officer's highest total annual incentive paid within the immediately preceding three full fiscal years; or

two times the executive officer's salary and annual incentive paid for the immediately preceding fiscal year.

We will also pay to the terminated named executive officer any accrued but unpaid base salary at the officer's then-current salary rate, and will provide the terminated named executive officer with continued coverage under our health, disability and life insurance plans in which the named executive officer participated for one year. The terminated named executive officer has no duty to mitigate the amount of benefits paid by us while seeking other employment, and the benefits are not subject to reduction for other compensation earned by the terminated named executive officer after termination.

As stated above, upon termination of employment for any reason regarding Mr. Gerlach, he would be entitled to his earned unpaid salary as well as his accrued unpaid vacation benefits.

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**Tabular Disclosure.** The tables below summarize the estimated amounts of payments or compensation our named executive officers may receive under particular termination scenarios. The amounts shown in the tables below assume that the named executive officer is terminated as of June 30, 2010, and that the price per share of our common shares equals \$53.36, which was the closing price of our common shares on June 30, 2010, as reported on the Nasdaq Global Select Market. Actual amounts that we may pay to any named executive officer upon termination of employment, however, can only be determined at the time of such named executive officer's actual termination.

**John B. Gerlach, Jr.** The following table shows the potential payments upon termination under various circumstances for John B. Gerlach, Jr., our Chairman of the Board, Chief Executive Officer and President.

| Benefits and Payments Upon Termination                         | Retirement<br>on 06/30/10 | Termination<br>Without                        | Termination   | Termination   | Termination<br>by Death on<br>06/30/10 | Termination<br>by Disabil<br>on 06/30/10 |
|--|---------------------------|---|---|---|--|--|
|  |                           | Cause or for<br>Good<br>Reason on<br>06/30/10 | for Cause or<br>Without<br>Good Reason<br>on 06/30/10 | Subsequent<br>to<br>a Change in<br>Control on<br>06/30/10 |  |  |
| <b>Compensation:</b>   |                           |   |   |   |  |  |
| Salary(1)  | \$ 0                      | \$ 0  | \$ 0  | \$ 0  | \$ 0                                   | \$ 0                                     |
| Annual cash incentive compensation                             | \$ 0                      | \$ 0  | \$ 0  | \$ 0  | \$ 0                                   | \$ 0                                     |
| Long-term equity-based incentive compensation                  | \$ 0                      | \$ 0  | \$ 0  | \$ 0  | \$ 0                                   | \$ 0                                     |
| Base salary and average annual incentive compensation lump sum | \$ 0                      | \$ 0  | \$ 0  | \$ 0  | \$ 0                                   | \$ 0                                     |
| Stock options  | \$ 0                      | \$ 0  | \$ 0  | \$ 0  | \$ 0                                   | \$ 0                                     |
| Employee Stock Ownership Plan                                  | \$ 665,977                | \$ 665,977                                    | \$ 665,977  | \$ 665,977  | \$ 665,977                             | \$ 665,977                               |
| Deferred Compensation Plan                                     | \$ 412,953                | \$ 412,953                                    | \$ 412,953  | \$ 412,953  | \$ 412,953                             | \$ 412,953                               |
| <b>Benefits and Perquisites:</b>                               |                           |   |   |   |  |  |
| Health, disability and life insurance                          | \$ 0                      | \$ 0  | \$ 0  | \$ 0  | \$ 150,000                             | \$ 150,000                               |
| <b>Total</b>   | \$ 1,078,930              | \$ 1,078,930                                  | \$ 1,078,930  | \$ 1,078,930  | \$ 1,228,930                           | \$ 1,228,930                             |

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John L. Boylan. The following table shows the potential payments upon termination under various circumstances for John L. Boylan, our Treasurer, Vice President, Assistant Secretary and Chief Financial Officer.

| Benefits and Payments Upon Termination                            | Retirement<br>on 06/30/10 | Termination   |  |  |  |  | Termination<br>by Death<br>on<br>06/30/10 | Termination<br>by Disability<br>on 06/30/10 |
|---|---------------------------|---|--|--|--|--|---|---|
|   |                           | Without<br>Cause or<br>for<br>Good<br>Reason on<br>06/30/10 | Termination<br>for Cause<br>or<br>Without<br>Good<br>Reason<br>on 06/30/10 | Termination<br>Subsequent<br>to<br>a Change in<br>Control on<br>06/30/10 | Termination<br>for Cause<br>or<br>Without<br>Good<br>Reason<br>on 06/30/10 | Termination<br>Subsequent<br>to<br>a Change in<br>Control on<br>06/30/10 |   |   |
| <b>Compensation:</b>  |                           |   |  |  |  |  |   |   |
| Salary(1)   | \$ 0                      | \$ 0  | \$ 0   | \$ 0   | \$ 0   | \$ 0   | \$ 0                                      | \$ 0  |
| Annual cash incentive compensation                                | \$ 0                      | \$ 0  | \$ 0   | \$ 0   | \$ 0   | \$ 0   | \$ 0                                      | \$ 0  |
| Long-term equity-based incentive compensation                     | \$ 0                      | \$ 0  | \$ 0   | \$ 0   | \$ 0   | \$ 0   | \$ 0                                      | \$ 0  |
| Base salary and average annual incentive compensation lump sum(2) | \$ 0                      | \$ 0  | \$ 0   | \$ 770,000   | \$ 0   | \$ 0   | \$ 0                                      | \$ 0  |
| Restricted stock  | \$ 0                      | \$ 0  | \$ 0   | \$ 58,696  | \$ 58,696  | \$ 58,696  | \$ 58,696                                 | \$ 58,696                                   |
| Stock options   | \$ 0                      | \$ 0  | \$ 0   | \$ 168,137   | \$ 168,137   | \$ 168,137   | \$ 168,137                                | \$ 168,137                                  |
| Employee Stock Ownership Plan                                     | \$ 331,025                | \$ 331,025  | \$ 331,025   | \$ 331,025   | \$ 331,025   | \$ 331,025   | \$ 331,025                                | \$ 331,025                                  |
| Deferred Compensation Plan  | \$ 138,745                | \$ 138,745  | \$ 138,745   | \$ 138,745   | \$ 138,745   | \$ 138,745   | \$ 138,745                                | \$ 138,745                                  |
| <b>Benefits and Perquisites:</b>                                  |                           |   |  |  |  |  |   |   |
| Health, disability and life insurance                             | \$ 0                      | \$ 0  | \$ 0   | \$ 26,847  | \$ 150,000   | \$ 150,000   | \$ 150,000                                | \$ 150,000(3)                               |
| <b>Total</b>  | \$ 469,770                | \$ 469,770  | \$ 469,770   | \$ 1,493,450   | \$ 846,603   | \$ 846,603   | \$ 846,603                                | \$ 846,603                                  |

Bruce L. Rosa. The following table shows the potential payments upon termination under various circumstances for Bruce L. Rosa, President of our T. Marzetti Company and Vice President Development.

| Benefits and Payments Upon Termination                            | Retirement<br>on 06/30/10 | Termination   |  |  |  |  | Termination<br>by Death on<br>06/30/10 | Termination<br>by Disability<br>on 06/30/10 |
|---|---------------------------|---|--|--|--|--|--|---|
|   |                           | Without<br>Cause or<br>for<br>Good<br>Reason on<br>06/30/10 | Termination<br>for Cause<br>or<br>Without<br>Good<br>Reason<br>on 06/30/10 | Termination<br>Subsequent<br>to<br>a Change in<br>Control on<br>06/30/10 | Termination<br>for Cause<br>or<br>Without<br>Good<br>Reason<br>on 06/30/10 | Termination<br>Subsequent<br>to<br>a Change in<br>Control on<br>06/30/10 |  |   |
| <b>Compensation:</b>  |                           |   |  |  |  |  |  |   |
| Salary(1)   | \$ 0                      | \$ 0  | \$ 0   | \$ 0   | \$ 0   | \$ 0   | \$ 0                                   | \$ 0  |
| Annual cash incentive compensation                                | \$ 0                      | \$ 0  | \$ 0   | \$ 0   | \$ 0   | \$ 0   | \$ 0                                   | \$ 0  |
| Long-term equity-based incentive compensation                     | \$ 0                      | \$ 0  | \$ 0   | \$ 0   | \$ 0   | \$ 0   | \$ 0                                   | \$ 0  |
| Base salary and average annual incentive compensation lump sum(2) | \$ 0                      | \$ 0  | \$ 0   | \$ 729,595   | \$ 0   | \$ 0   | \$ 0                                   | \$ 0  |
| Restricted stock  | \$ 0                      | \$ 0  | \$ 0   | \$ 58,696  | \$ 58,696  | \$ 58,696  | \$ 58,696                              | \$ 58,696                                   |

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|                                       |            |            |            |              |              |               |
|---------------------------------------|------------|------------|------------|--------------|--------------|---------------|
| Stock options                         | \$ 0       | \$ 0       | \$ 0       | \$ 168,137   | \$ 168,137   | \$ 168,137    |
| Employee Stock Ownership Plan         | \$ 575,073 | \$ 575,073 | \$ 575,073 | \$ 575,073   | \$ 575,073   | \$ 575,073    |
| Deferred Compensation Plan            | \$ 260,094 | \$ 260,094 | \$ 260,094 | \$ 260,094   | \$ 260,094   | \$ 260,094    |
| <b>Benefits and Perquisites:</b>      |            |            |            |              |              |               |
| Health, disability and life insurance | \$ 0       | \$ 0       | \$ 0       | \$ 20,690    | \$ 150,000   | \$ 150,000(3) |
| <b>Total</b>                          | \$ 835,167 | \$ 835,167 | \$ 835,167 | \$ 1,812,285 | \$ 1,212,000 | \$ 1,212,000  |



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- (1) As of June 30, 2010, the amount of base salary payable to the named executive officers for services rendered during fiscal year 2010 has been paid.
- (2) For a termination subsequent to a change in control, these amounts represent a lump sum cash payment in an amount equal to the sum of the executive officer's highest annual salary within the immediately preceding three full fiscal years (\$435,000 for Mr. Boylan and \$400,000 for Mr. Rosa) plus the executive officer's highest total annual cash incentive paid within the immediately preceding three full fiscal years (\$335,000 for Mr. Boylan and \$329,595 for Mr. Rosa) paid pursuant to the Key Employee Severance Agreements discussed above.
- (3) These amounts reflect an assumption that the officer will receive the maximum available disability payment.

**COMPENSATION OF DIRECTORS****2010 Director Compensation Table**

The following table summarizes compensation earned during the 2010 fiscal year by our nonemployee directors:

| Name<br>(a)           | Fees Earned or                  |                                 |   | Total<br>(\$)<br>(h) |
|-----------------------|---------------------------------|---------------------------------|---|----------------------|
|                       | Paid in<br>Cash<br>\$(1)<br>(b) | Stock<br>Awards<br>\$(2)<br>(c) | All Other<br>Compensation<br>\$(3)<br>(g) |                      |
| James B. Bachmann     | \$ 75,000                       | \$ 61,286                       | \$ 2,280                                  | \$ 138,566           |
| Neeli Bendapudi       | \$ 48,500                       | \$ 61,286                       | \$ 2,280                                  | \$ 112,066           |
| Robert L. Fox         | \$ 51,500                       | \$ 61,286                       | \$ 2,280                                  | \$ 115,066           |
| Alan F. Harris        | \$ 50,000                       | \$ 61,286                       | \$ 2,280                                  | \$ 113,566           |
| Edward H. Jennings    | \$ 59,000                       | \$ 61,286                       | \$ 2,280                                  | \$ 122,566           |
| Henry M. O Neill, Jr. | \$ 51,500                       | \$ 61,286                       | \$ 2,280                                  | \$ 115,066           |
| Zuheir Sofia          | \$ 59,500                       | \$ 61,286                       | \$ 2,280                                  | \$ 123,066           |

- (1) The amounts shown in column (b) represent compensation amounts discussed in the narrative below.
- (2) The amounts reported in column (c) reflect the aggregate grant date fair value of restricted stock received by each of our directors, which was computed in accordance with FASB ASC Topic 718. The assumptions used in determining these valuations are the same as those used in our financial statements. For fiscal 2010, those assumptions can be found in footnote 8 to the financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010. The nonemployee directors had restricted stock awards outstanding as of June 30, 2010 for the following number of shares: Mr. Bachmann, 1,205; Ms. Bendapudi, 1,205; Mr. Fox, 1,205; Mr. Harris, 1,205; Mr. Jennings, 1,205; Mr. O Neill, Jr., 1,205; and Mr. Sofia, 1,205. Each nonemployee director received a grant of restricted stock for fiscal 2010 as follows: 1,205 shares on November 16, 2009 under our 2005 Stock Plan. This grant of restricted stock will vest on November 16, 2010.
- (3) The amounts shown in column (g) represent dividends paid on restricted stock awards that vested during fiscal 2010.

Our Compensation Committee reviews the level of compensation of our nonemployee directors on an annual basis. We have historically obtained data from a number of different sources to determine the appropriateness of the current level of compensation for our nonemployee directors, including:

Publicly available data describing director compensation at companies in our peer group;

Data collected by our corporate administration; and

Information obtained directly from other companies.

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We compensate our nonemployee directors through a mix of cash and equity-based compensation. Except as noted in the footnotes above, our nonemployee directors received the following compensation for fiscal year 2010:

- a quarterly retainer paid at an annual rate of \$35,000;
- a \$1,500 fee for participation in each official meeting of the Board or Committee of the Board;
- an additional quarterly retainer paid at an annual rate of \$10,000 for the Chair of the Audit Committee;
- an additional quarterly retainer paid at an annual rate of \$6,000 for the Chair of the Compensation Committee;
- an additional quarterly retainer paid at an annual rate of \$5,000 for the Chair of the Nominating and Governance Committee; and
- an additional quarterly retainer paid at an annual rate of \$15,000 for the Lead Independent Director.

We also reimburse expenses incurred by our nonemployee directors to attend board and committee meetings. The compensation amounts took effect at the beginning of fiscal 2009 and represent a slight increase in fees paid during 2008. The adjustment was made based upon the recommendation of PM&P and the review of competitive data made available by PM&P. Directors who are also our employees do not receive cash or equity compensation for services on our Board in addition to compensation payable for their services as employees.

Additionally, on November 16, 2009, each of our nonemployee directors received a grant of 1,205 shares of restricted stock pursuant to the terms of our 2005 Stock Plan. The restricted stock vests one year from the grant date, or earlier upon a change in control of the Corporation, or the death or disability of the recipient. Dividends on the shares of restricted stock are held in escrow until the shares vest. The value of the grant was determined based on the recommendation of the Compensation Committee of an annual grant of restricted stock with a market value of approximately \$60,000, which is also based on information and recommendations provided by PM&P in the prior year.

**Table of Contents****Equity Compensation Plan Information Table**

The following table contains information as of June 30, 2010 regarding the Corporation's 2005 Stock Plan:

**Equity Compensation Plan Information**

| <b>Plan Category</b>                                       | <b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights<br/>(a)</b> | <b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights<br/>(b)</b> | <b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))<br/>(c)</b> |
|--|--|--|--|
| Equity compensation plans approved by security holders     | 38,883(1)  | \$ 49.55   | 1,853,839(1)   |
| Equity compensation plans not approved by security holders |  |  |  |
| <b>Total</b>   | <b>38,883</b>  | <b>\$ 49.55</b>  | <b>1,853,839</b>   |

(1) These amounts assume outstanding stock-settled stock appreciation rights conversion at the June 30, 2010 closing price of \$53.36 for the determination of the number of shares to be issued upon exercise of the rights.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Messrs. Fox, Jennings and O'Neill served on the Compensation Committee during fiscal 2010. None of the members of the Compensation Committee during fiscal 2010 had at any time been an officer or employee of the Corporation or of any of its subsidiaries. None of the members of the Compensation Committee during fiscal 2010 had any related person transaction with the Corporation required to be disclosed under Item 404 of Regulation S-K. No executive officer of the Corporation served as a member of the compensation committee or board of directors of any other entity that had an executive officer serving as a member of the Board or Compensation Committee during fiscal 2010 such that the service would constitute an interlock under Item 407(e)(4) of Regulation S-K.

**COMPENSATION COMMITTEE REPORT**

The following report has been submitted by the Compensation Committee:

The Compensation Committee has reviewed and discussed the Corporation's Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Corporation's definitive proxy statement on

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Schedule 14A for the Annual Meeting, which is incorporated by reference in the Corporation's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, each as filed with the SEC.

The foregoing report was submitted by the Compensation Committee and shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A promulgated by the SEC or Section 18 of the Securities Exchange Act of 1934, as amended.

Respectfully submitted,

Edward H. Jennings, Chairperson

Robert L. Fox

Henry M. O'Neill, Jr.

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**AUDIT COMMITTEE REPORT**

The Audit Committee is comprised solely of nonemployee directors, each of whom has been determined by the Board to be independent under the requirements of The Nasdaq Stock Market LLC and SEC rules. In addition, the Board has determined that Mr. Bachmann is a financial expert as defined by SEC rules. The Audit Committee held four meetings during fiscal 2010. The Audit Committee operates under a written charter, which is available on the corporate governance page of the Corporation's web site at [www.lancastercolony.com](http://www.lancastercolony.com). Under the charter, the Audit Committee's responsibilities include:

Appointment and oversight of the independent auditor;

Approval of the fees and other compensation to be paid to the Corporation's independent auditor;

Pre-approval of all auditing services and permitted non-audit services by the Corporation's independent auditor;

Review of the Corporation's annual financial statements to be included in the Corporation's Annual Report on Form 10-K;

Oversight of the review and response to complaints made to the Corporation regarding accounting, internal accounting controls and auditing matters;

Oversight of the internal audit function; and

Review and approval of related party transactions.

Management is responsible for the Corporation's internal controls and preparing the Corporation's consolidated financial statements and a report on management's assessment of the effectiveness of internal control over financial reporting. The Corporation's independent registered public accounting firm, Deloitte & Touche LLP, is responsible for performing an independent audit of the consolidated financial statements and issuing a report thereon, and also auditing the effectiveness of internal control over financial reporting and issuing a report thereon. Their audits are performed in accordance with the standards of the Public Company Accounting Oversight Board. The Audit Committee is responsible for overseeing the conduct of these activities and appointing the Corporation's independent registered public accounting firm. In performing its oversight function, the Audit Committee relies, without independent verification, on the information provided to it and on representations made by management and the independent registered public accounting firm.

In conducting its oversight function, the Audit Committee discusses with the Corporation's internal auditors and the Corporation's independent registered public accounting firm, with and without management present, the overall scope and plans for their respective audits. The Audit Committee also reviews the Corporation's programs and key initiatives to design, implement and maintain effective internal controls over financial reporting and disclosure controls. The Audit Committee has sole discretion, in its areas of responsibility and at the Corporation's expense, to engage independent advisors as it deems appropriate and to approve the fees and retention terms of such advisors.

The Audit Committee meets with the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, the evaluations of the Corporation's internal controls and the overall quality of the Corporation's financial reporting. The Audit Committee has reviewed and discussed with management and Deloitte & Touche LLP the audited financial statements for the fiscal year ended June 30, 2010. The Audit Committee has also reviewed and discussed management's assessment of internal control

over financial reporting with management and Deloitte & Touche LLP. The Audit Committee also reviewed and discussed with Deloitte & Touche LLP its reports on the Corporation's annual financial statements, and that the Corporation maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010.

The Audit Committee reviewed with Deloitte & Touche LLP the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3526. In addition, the Audit Committee discussed with Deloitte & Touche LLP their independence from management, and the Audit Committee has received from

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Deloitte & Touche LLP the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence.

Based on its review of the audited consolidated financial statements and discussions with management and Deloitte & Touche LLP, referred to above, the Audit Committee recommended to the Board the inclusion of the audited financial statements for the fiscal year ended June 30, 2010 in the Corporation's Annual Report on Form 10-K for filing with the SEC.

Respectfully submitted,

James B. Bachmann, Chairperson  
 Alan F. Harris  
 Edward H. Jennings  
 Zuheir Sofia

**PROPOSAL TWO**

**RATIFICATION OF THE SELECTION OF THE  
 INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Deloitte & Touche LLP, an independent registered public accounting firm, has served as the Corporation's independent auditors since 1961 and audited the consolidated financial statements for the year ended June 30, 2010. The Audit Committee is directly responsible for the appointment of the Corporation's independent registered public accounting firm and has appointed Deloitte & Touche LLP to audit the Corporation's financial statements for the year ending June 30, 2011. Although it is not required to do so, the Audit Committee has determined to submit its selection of the independent registered public accounting firm to the Corporation's shareholders for ratification of its action as a matter of good corporate governance. In the event that Deloitte & Touche LLP is not ratified by the holders of a majority of the shares cast at the Annual Meeting, the Audit Committee will evaluate such shareholder vote when considering the selection of an independent registered public accounting firm to serve as the Corporation's auditors for the 2012 fiscal year.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**The Board of Directors recommends a vote FOR the ratification of Deloitte & Touche LLP as the Corporation's independent registered public accounting firm for the year ending June 30, 2011 by executing and returning the enclosed proxy card.**

**AUDIT AND RELATED FEES**

The following table recaps Deloitte & Touche LLP fees pertaining to the fiscal years ended June 30, 2010 and 2009:

|                    | <b>2010</b>  | <b>2009</b>  |
|--------------------|--------------|--------------|
| Audit Fees         | \$ 1,109,000 | \$ 1,261,000 |
| Audit-Related Fees |              |              |



|                |              |              |
|----------------|--------------|--------------|
| Tax Fees       |              |              |
| All Other Fees |              |              |
| Total Fees     | \$ 1,109,000 | \$ 1,261,000 |

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**Audit Committee Pre-Approval Policies and Procedures**

The Audit Committee has established a policy regarding review and pre-approval of all audit and non-audit services expected to be performed by the Corporation's independent registered public accounting firm. When considering requests for non-audit services, the Audit Committee evaluates whether the proposed engagement risks compromise the accounting firm's independence by specifically considering the volume of the proposed non-audit services and whether those non-audit services are likely to cause the accounting firm to function in a management role, to be put in the position of auditing its own work, or to serve in an advocacy role for the Corporation. Absent strong countervailing considerations, the Audit Committee will generally not approve non-audit services if the aggregate fees for non-audit services for the year will exceed the aggregate fees for audit services, audit-related services and tax compliance services for the year. The policy also prohibits the Corporation's accounting firm from providing certain services described in the policy as prohibited services.

Generally, requests for non-audit services are submitted in writing to the Audit Committee by the Corporation's officer or employee requesting such services, along with specific supporting information described in the policy. Typically, the Audit Committee will approve non-audit services provided by the accounting firm that are closely related to the audit services, audit-related services and tax compliance services already being provided by the accounting firm, including due diligence services, subject to the fee policy described above. Between Audit Committee meetings, any two Audit Committee members may review and approve requests for non-audit services in accordance with the policy that are budgeted for \$50,000 or less, provided that the pre-approval is reported not later than the next meeting of the Audit Committee.

The Audit Committee's pre-approval policies and procedures for non-audit services are described in the Statement of Policy of the Audit Committee of Lancaster Colony Corporation Pre-Approval of Engagements With the Independent Registered Public Accounting Firm for Non-Audit Services, which is attached as Appendix A to the Corporation's Audit Committee charter. For the fiscal year ended June 30, 2010, all of the services described above were pre-approved by the Audit Committee.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Corporation contracts with John Gerlach & Company LLP, an accounting partnership, to provide certain internal auditing, general accounting and tax services of a type generally available from an independent accounting firm. A brother-in-law of the Corporation's Chief Executive Officer, Mr. T. J. Conger, is a partner with John Gerlach & Company LLP. The fees paid to John Gerlach & Company LLP for its services are determined based on the hours of work performed and are reviewed by the Audit Committee. The fees incurred for services rendered for the fiscal year ended June 30, 2010 were \$303,194.

The Corporation's Audit Committee reviews and approves or ratifies any transaction between the Corporation and a related person (as that term is defined under Item 404 of Regulation S-K) that is required to be disclosed under the SEC's related person transaction rules. In general, the Audit Committee charter provides that, when reviewing related person transactions, the Audit Committee will consider the following:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction;
- the significance of the transaction to the related person;
- the significance of the transaction to the Corporation;

whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Corporation; and

any other matters the Audit Committee deems appropriate.

In the event of any conflict between this related persons transaction policy and any similar policies contained in the Corporation's Code of Business Ethics, Standards of Conduct or other corporate governance documents, the terms of the related persons transaction policy will control. This related persons transaction policy is contained in the Audit Committee charter, a current copy of which is posted on the corporate governance page of the Corporation's web site at [www.lancastercolony.com](http://www.lancastercolony.com).

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**PROPOSAL THREE**

**APPROVAL OF THE LANCASTER COLONY CORPORATION AMENDED AND  
RESTATED 2005 STOCK PLAN**

At our 2005 annual meeting, stockholders approved the Lancaster Colony Corporation 2005 Stock Plan (the 2005 Plan ). At our 2010 annual meeting, stockholders are being asked to approve the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan (the Plan ) primarily for purposes of Section 162(m) of the Internal Revenue Code ( Section 162(m) ) and to approve certain changes to the 2005 Plan. **We are not seeking to increase the amount of shares available for issuance under, or to adjust any of the individual award limits contained in, the 2005 Plan.** The regulations of Section 162(m) provide that in order for us to fully deduct for federal income tax purposes certain compensation paid under a stock plan to our Chief Executive Officer and certain other highly compensated officers, we must seek shareholder approval of its terms every five years (as well as whenever we make certain other material amendments to the stock plan). The complete text of the Plan is set forth in Appendix A to this Proxy Statement. Our summary of the Plan below is qualified in its entirety by reference to Appendix A.

The Board believes restricted stock, stock appreciation rights and other stock-based incentives play an important role in retaining the services of outstanding personnel and in encouraging such individuals to have a greater financial investment in the Corporation.

**The Board of Directors recommends a vote FOR the approval of the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan by executing and returning the enclosed proxy card.**

The Corporation adopted the 2005 Plan effective November 21, 2005 and terminating on May 24, 2015, unless the Board terminates it earlier or extends it with the approval of the shareholders. We are not seeking to change the termination date in the Plan. The Plan will terminate on May 24, 2015, unless the Board terminates it earlier or extends it with the approval of the shareholders. A summary of the material changes from the 2005 Plan to the Plan and a summary of the Plan s material features are set forth below.

**Summary of Material Changes**

*Incentive Stock Options.* The Plan does not increase the total number of shares authorized for issuance or transfer from the number of shares set forth in the 2005 Plan. However, the Plan clarifies the limit on the number of shares available for incentive stock options under the Plan. The 2005 Plan directly tied the incentive stock option share limit to the aggregate number of shares available under the 2005 Plan. The Plan separately clarifies that the number of shares available for incentive stock options is limited to the total 2,000,000 shares available under the Plan. The Plan also clarifies that only employees (as that term is defined in the Internal Revenue Code) may receive incentive stock options.

*Post-Termination Exercise of Options.* The Plan clarifies that, in the case of an award agreement permitting a participant to exercise an option for a specific period of time following certain terminations of service, the option will not extend past its original term, which is consistent with our practices.

*Minimum Base Price for Stock Appreciation Rights.* The Plan clarifies that the base price for stock appreciation rights must be at least equal to the market value per share on the date of grant, which is consistent with our practices.

*Eliminated Redundancy in Change in Control Provisions.* The Plan eliminates redundant references to merger under the change in control provisions, which event is already covered by the defined term Change in Control.

**Summary of the Plan**

*Plan Administration.* The Compensation Committee of the Board (the Committee for purposes of this proposal) will administer the Plan. The Committee is comprised solely of nonemployee directors. The Committee establishes the terms and conditions of awards granted under the Plan, subject to certain limitations in the Plan. With respect to grants to officers and directors, the Committee shall be constituted in such a manner as to

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satisfy applicable laws, including Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and Section 162(m). The Committee may delegate to the Chief Executive Officer or other executive officers of the Corporation certain authority under the Plan, including the authority to grant awards to eligible employees who are not officers subject to Section 16 of the Securities Exchange Act of 1934. As of June 30, 2010, there were approximately 170 individuals eligible to participate in the Plan. Although the number of individuals who will receive awards under the Plan is not determinable, the Corporation granted stock appreciation rights and restricted stock to approximately 154 employees and seven nonemployee directors under the 2005 Plan in 2010.

*Eligible Participants.* The Committee may grant awards to employees, directors and consultants.

*Shares Available.* The aggregate number of shares of Common Stock, without par value, that may be issued or transferred to grantees under the Plan is 2,000,000 shares (which includes the number of shares underlying awards granted under the 2005 Plan). As of June 30, 2010, 1,853,839 shares remained available for issuance under the 2005 Plan. If there is a stock split, stock dividend or other relevant change affecting our shares, appropriate adjustments will be made in the number of shares that may be issued or transferred in the future under the Plan and in the number of shares and price of all outstanding grants made before such event. If shares under a grant are not issued or transferred, those shares could be granted again in the future. Payment of cash in lieu of shares would be considered an issuance or transfer of the shares. The maximum number of shares with respect to which options and stock appreciation rights may be granted to a participant during a calendar year is 50,000 shares. For awards of restricted stock, restricted stock units, other stock-based awards, performance shares and performance units that are intended to be performance-based compensation under Section 162(m), the maximum number of shares subject to such awards that may be granted to a participant during a calendar year is 50,000 shares. The aggregate number of shares that may be actually issued or transferred upon the exercise of incentive stock options will not exceed 2,000,000 shares. The closing price of our Common Stock on Nasdaq was \$47.50 on September 30, 2010.

*Terms and Conditions of Awards.* The Plan provides for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares and performance units (collectively referred to as awards). The Committee has the authority to create other types of stock-based awards under the Plan in addition to those specifically described in the Plan. These awards must be valued in whole or in part by reference to, or must otherwise be based on, the shares of the Corporation's Common Stock (or the cash equivalent of such shares). Stock options granted under the Plan may be either incentive stock options, granted pursuant to the provisions of Section 422 of the Code, or nonstatutory stock options. Incentive stock options may be granted only to employees. Awards other than incentive stock options may be granted to employees, directors and consultants.

Subject to applicable laws and the terms of the Plan, the Committee has the authority, in its discretion, to select employees, directors and consultants to whom awards may be granted from time to time, to determine whether and to what extent awards are granted, to determine the number of shares of the Corporation's Common Stock or the amount of other consideration to be covered by each award (subject to the limitations set forth above under *Shares Available*), to approve award agreements for use under the Plan, to determine the terms and conditions of any award (including the vesting schedule applicable to the award), to construe and interpret the terms of the Plan and awards granted, and to take such other action not inconsistent with the terms of the Plan as the Committee deems appropriate.

Awards of restricted stock, restricted stock units, performance shares and performance units issued under the Plan shall vest and be released from the risk of forfeiture over a period of no less than one year measured from the date of issuance of the award. The vesting schedule for awards of restricted stock, restricted stock units, performance shares and performance units may only be amended by the Committee in the event of a change in control or in the event of the participant's death or disability.

Each award granted under the Plan shall be designated in an award agreement. In the case of an option, the option shall be designated as either an incentive stock option or a nonstatutory stock option. To the extent that the aggregate fair market value of shares of the Corporation's Common Stock subject to options designated as incentive stock options that become exercisable for the first time by a participant during any calendar year exceeds \$100,000, such excess options shall be treated as nonstatutory stock options.

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The term of any option granted under the Plan may not be for more than ten years (or five years in the case of an incentive stock option granted to any participant who owns stock representing more than 10% of the combined voting power of the Corporation or any parent or subsidiary of the Corporation).

The Plan authorizes the Committee to grant incentive stock options and non-qualified stock options at an exercise price not less than 100% of the fair market value of the Common Stock on the date the option is granted (or 110%, in the case of an incentive stock option granted to any employee who owns stock representing more than 10% of the combined voting power of the Corporation or any parent or subsidiary of the Corporation). The exercise or purchase price is generally payable in cash, check, or shares of Common Stock.

The Plan provides that:

any reduction of the exercise or purchase price of any award under the Plan shall be subject to shareholder approval; and

canceling any award under the Plan at a time when its exercise price exceeds the fair market value of the underlying shares in exchange for another award shall be subject to shareholder approval.

*Termination of Service.* An award may not be exercised after the termination date as set forth in the award agreement. If a participant in the Plan terminates continuous service with the Corporation, an award may be exercised only to the extent provided in the award agreement. Where an award agreement permits a participant to exercise an award following termination of service, the award shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the award, whichever comes first. Any award designated as an incentive stock option, to the extent not exercised within the time permitted by law for the exercise of incentive stock options following the termination of employment, shall convert automatically to a nonstatutory stock option and thereafter shall be exercisable as a nonstatutory stock option to the extent exercisable by its terms for the period specified in the award agreement.

*Section 162(m).* No participant may be granted options and stock appreciation rights with respect to more than 50,000 shares during a calendar year. The Committee shall adjust the foregoing limitations proportionately in connection with any change in the Corporation's capitalization due to a stock split, stock dividend or similar event affecting the Corporation's Common Stock. The Committee's determination shall be final and binding. Under Section 162(m), no deduction is allowed in any taxable year of the Corporation for compensation in excess of \$1 million paid to the Corporation's Chief Executive Officer and certain other highly compensated officers of the Corporation. An exception to this rule applies to compensation that qualifies as performance-based compensation under Section 162(m). Compensation paid pursuant to options or stock appreciation rights granted under a plan approved by shareholders and that specifies, among other things, the maximum number of shares with respect to which options and stock appreciation rights may be granted to eligible participants under such plan during a specified period and with an exercise price equal to the fair market value of the Corporation's Common Stock on the date of grant is deemed to be inherently performance-based, since such awards provide value to participants only if the stock price appreciates. To the extent required by Section 162(m) or the regulations thereunder, in applying the foregoing limitation, if any option or stock appreciation right is canceled, the canceled award shall continue to count against the maximum number of shares of the Corporation's Common Stock with respect to which an award may be granted to a participant.

For awards of restricted stock, restricted stock units, performance shares, performance units and other stock-based awards that are intended to be performance-based compensation under Section 162(m), the maximum number of shares subject to such awards that may be granted to a participant during a calendar year is 50,000 shares. In order for restricted stock, restricted stock units, performance shares, performance units and other stock-based awards to qualify



as performance-based compensation, the Committee must establish a performance goal with respect to such award in writing not later than 90 days after the commencement of the services to which it relates and while the outcome is substantially uncertain. In addition, the performance goal must be stated in terms of an objective formula or standard. The Plan includes the following performance criteria that may be considered by the Committee when granting performance-based awards: (1) increase in share price, (2) earnings per share, (3) total stockholder return, (4) operating margin, (5) gross margin, (6) return on equity, (7) return on assets, (8) return on investment, (9) operating income, (10) net operating income, (11) pretax profit, (12) cash flow, (13) revenue,

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(14) expenses, (15) earnings before interest, taxes, depreciation and amortization, (16) economic value added and (17) market share.

*Change in Capitalization.* Subject to any required action by our shareholders, the Committee shall proportionately adjust the number of shares of Common Stock covered by outstanding awards, the number of shares of Common Stock that have been authorized for issuance under the Plan, the exercise or purchase price of each outstanding award, the maximum number of shares of Common Stock that may be granted subject to awards to any participant in a calendar year, and the like, shall be proportionally adjusted by the Committee in the event of:

any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, stock dividend, combination or reclassification or similar event affecting our Common Stock;

any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Corporation; or

in the event any other transaction with respect to Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete), distribution of cash or other assets to shareholders other than a normal cash dividend, or any similar transaction.

Conversion of any convertible securities of the Corporation shall not be deemed to have been effected without receipt of consideration. The Committee shall make these adjustments and its determination shall be final and binding.

*Adjustments upon a Change in Control.* The Plan provides that in the event of a change in control, including the sale of all or substantially all of the Corporation's assets, the successor corporation will assume or substitute an equivalent award for each outstanding award. Unless the Committee determines otherwise, any outstanding options or stock appreciation rights not assumed or substituted for will be fully vested and exercisable, including shares that would not otherwise have been vested and exercisable, for a period of time (as determined by the Committee) after the date of notice to the optionee. The option or stock appreciation right will terminate at the end of such period. Unless the Committee determines otherwise, any restricted stock, performance shares, performance units, restricted stock units or other stock-based awards not assumed or substituted for will be fully vested as to all of the shares subject to the award, including shares which would not otherwise be vested. Awards held by outside directors will become fully vested and exercisable immediately prior to a change in control. Change in Control under the Plan generally means when any person or group acquires 50% or more of the total voting power of the Corporation, the consummation of a sale of substantially all of the Corporation's assets or the consummation of certain mergers or consolidations in which the Corporation's shareholders do not retain a majority ownership position.

*Transferability of Awards.* Unless the Committee determines otherwise, the Plan does not allow for the transfer of awards other than by will or by the laws of descent and distribution, and only the participant may exercise an award during his or her lifetime.

*Amendment and Termination of the Plan.* The Plan will automatically terminate on May 24, 2015, unless the Corporation terminates it sooner. In addition, the Board has the authority to amend, suspend or terminate the Plan provided it does not adversely affect any award previously granted under the Plan. To the extent necessary to comply with applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to awards granted to residents therein, the Corporation shall obtain shareholder approval of any such amendment to the Plan in such a manner and to such a degree as required.

**U.S. Federal Income Tax Consequences**

The following summary of the federal income tax consequences of the Plan transactions is based upon federal income tax laws in effect on the date of this proxy statement. This summary does not purport to be complete, and does not discuss, state, local or non-U.S. tax consequences.

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*Nonstatutory Stock Options.* The grant of a nonstatutory stock option under the Plan will not result in any federal income tax consequences to the participant or to the Corporation. Upon exercise of a nonstatutory stock option, the participant is subject to income taxes at the rate applicable to ordinary compensation income on the difference between the option exercise price and the fair market value of the shares on the date of exercise. The Corporation is entitled to an income tax deduction in the amount of the income recognized by the participant, subject to possible limitations imposed by Section 162(m) and the participant's total compensation is deemed reasonable in amount. Any gain or loss on the participant's subsequent disposition of the shares of Common Stock will receive long- or short-term capital gain or loss treatment, depending on whether the shares are held for more than one year following exercise. The Corporation does not receive a tax deduction for any such gain.

*Incentive Stock Options.* The grant of an incentive stock option under the Plan will not result in any federal income tax consequences to the participant or to the Corporation. A participant recognizes no federal taxable income upon exercising an incentive stock option (subject to the alternative minimum tax rules discussed below), and the Corporation receives no deduction at the time of exercise. In the event of a disposition of stock acquired upon exercise of an incentive stock option, the tax consequences depend upon how long the participant has held the shares of Common Stock. If the participant does not dispose of the shares within two years after the incentive stock option was granted, nor within one year after the incentive stock option was exercised, the participant will recognize a long-term capital gain (or loss) equal to the difference between the sale price of the shares and the exercise price. The Corporation is not entitled to any deduction under these circumstances.

If the participant fails to satisfy either of the foregoing holding periods, he or she must recognize ordinary income in the year of the disposition (referred to as a disqualifying disposition). The amount of such ordinary income generally is the lesser of (1) the difference between the amount realized on the disposition and the exercise price or (2) the difference between the fair market value of the stock on the exercise date and the exercise price. Any gain in excess of the amount taxed as ordinary income will be treated as a long- or short-term capital gain, depending on whether the stock was held for more than one year. The Corporation, in the year of the disqualifying disposition, is entitled to a deduction equal to the amount of ordinary income recognized by the participant, subject to possible limitations imposed by Section 162(m) and the participant's total compensation is deemed reasonable in amount.

The spread under an incentive stock option (i.e., the difference between the fair market value of the shares at exercise and the exercise price) is classified as an item of adjustment in the year of exercise for purposes of the alternative minimum tax. If a participant's alternative minimum tax liability exceeds such participant's regular income tax liability, the participant will owe the larger amount of taxes. In order to avoid the application of alternative minimum tax with respect to incentive stock options, the participant must sell the shares within the same calendar year in which the incentive stock options are exercised. However, such a sale of shares within the same year of exercise will constitute a disqualifying disposition, as described above.

*Restricted Stock and Performance Shares.* The grant of restricted stock or performance shares will subject the recipient to ordinary compensation income on the difference between the amount paid for such stock and the fair market value of the shares on the date that the restrictions lapse. The Corporation is entitled to an income tax deduction in the amount of the ordinary income recognized by the recipient, subject to possible limitations imposed by Section 162(m) and the participant's total compensation is deemed reasonable in amount. Any gain or loss on the recipient's subsequent disposition of the shares will receive long- or short-term capital gain or loss treatment depending on how long the stock has been held since the restrictions lapsed. The Corporation does not receive a tax deduction for any such gain.

Recipients of restricted stock or performance shares may make an election under Section 83(b) of the Code (Section 83(b) Election) to recognize as ordinary compensation income in the year that such restricted stock or performance shares are granted, the amount equal to the spread between the amount paid for such stock and the fair

market value on the date of the issuance of the stock. If such an election is made, the recipient recognizes no further amounts of compensation income upon the lapse of any restrictions and any gain or loss on subsequent disposition will be long- or short-term capital gain to the recipient. The Section 83(b) Election must be made within thirty days from the time the restricted stock or performance shares are issued.

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*Stock Appreciation Rights.* Recipients of stock appreciation rights ( SARs ) generally should not recognize income until the SAR is exercised (assuming there is no ceiling on the value of the right). Upon exercise, the participant will normally recognize taxable ordinary income for federal income tax purposes equal to the amount of cash and fair market value the shares, if any, received upon such exercise. Participants will recognize gain upon the disposition of any shares received on exercise of an SAR equal to the excess of (1) the amount realized on such disposition over (2) the ordinary income recognized with respect to such shares under the principles set forth above. That gain will be taxable as long- or short-term capital gain depending on whether the shares were held for more than one year.

The Corporation will be entitled to a tax deduction to the extent and in the year that ordinary income is recognized by the participant, subject to possible limitations imposed by Section 162(m) and the participant's total compensation is deemed reasonable in amount.

*Restricted Stock Units and Performance Units.* Recipients of restricted stock units or performance units generally should not recognize income until such units are converted into cash or shares of stock. Upon conversion, the participant will normally recognize taxable ordinary income for federal income tax purposes equal to the amount of cash and fair market value the shares, if any, received upon such conversion. Participants will recognize gain upon the disposition of any shares received upon conversion of the restricted stock units or performance units equal to the excess of (i) the amount realized on such disposition over (ii) the ordinary income recognized with respect to such shares under the principles set forth above. That gain will be taxable as long- or short-term capital gain depending on whether the shares were held for more than one year.

The Corporation will be entitled to a tax deduction to the extent and in the year that ordinary income is recognized by the participant, subject to possible limitations imposed by Section 162(m) and the participant's total compensation is deemed reasonable in amount.

*Dividends and Dividend Equivalents.* Recipients of stock-based awards that earn dividends or dividend equivalents will recognize taxable ordinary income on any dividend payments received with respect to unvested and/or unexercised shares subject to such awards. The Corporation is entitled to an income tax deduction in the amount of the income recognized by a participant, subject to possible limitations imposed by Section 162(m) and the individual's total compensation is deemed reasonable in amount.

## **Other Information**

The 2005 Plan became effective November 21, 2005. The Plan will terminate on May 24, 2015, unless the Board terminates it earlier or extends it with the approval of the shareholders. On February 17, 2006, the Corporation filed a registration statement covering the offering of the shares under the 2005 Plan with the SEC pursuant to the Securities Act of 1933. The Board may amend the Plan as it deems advisable but, if the rules of the SEC or the Nasdaq listing rules require the Corporation to obtain shareholder approval, then the Corporation will seek approval. Unless approved by shareholders or as specifically otherwise required by the Plan (for example, in the case of a stock split), no adjustments or reduction of the exercise price of any outstanding incentive may be made in the event of a decline in stock price, either by reducing the exercise price of outstanding incentives or by canceling outstanding incentives in connection with regranting incentives at a lower price to the same individual.

Because awards under the Plan are granted at the discretion of the Compensation Committee, it is not possible for us to determine the amount of awards that may be granted to the named executive officers listed in the Summary Compensation Table of this proxy statement or to any other potential Plan participants. During 2010, 154 employees and seven nonemployee directors received awards under the 2005 Plan.



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**SHAREHOLDER PROPOSALS**

Shareholder proposals intended to be included in the Proxy Statement for the 2011 Annual Meeting of Shareholders must be received by the Secretary of the Corporation at its principal executive offices no later than June 18, 2011. In addition, under the advance notice provision of the Corporation's Amended and Restated Code of Regulations, shareholder proposals will be considered untimely if received by the Secretary of the Corporation less than 60 days or more than 90 days before the 2011 Annual Meeting (or, if less than 75 days notice or prior public disclosure of the date of the 2011 Annual Meeting is given or made, not later than the close of business on the 15th day following the day on which such notice or disclosure of the date of the 2011 Annual Meeting is first given or made). The advance notice provisions of our Regulations do not change the deadline noted above for inclusion of shareholder proposals in the Corporation's Proxy Statement.

**OTHER MATTERS**

As of the date of this Proxy Statement, the Board knows of no other business that will come before the Annual Meeting. Should any other matter requiring the vote of the shareholders arise, the enclosed proxy confers upon the proxy holders discretionary authority to vote the same in respect to the resolution of such other matters as they, in their best judgment, believe to be in the interest of the Corporation. For information on how to obtain directions to be able to attend the Annual Meeting and vote in person, please contact the Corporation's Secretary at 37 West Broad Street, Columbus, Ohio 43215 or (614) 224-7141.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDER MEETING TO BE HELD ON NOVEMBER 15, 2010**

**This Proxy Statement, the Proxy Card and the Corporation's 2010 Annual Report to Shareholders, which includes the Corporation's Annual Report on Form 10-K, are available free of charge at <http://www.proxydocs.com/lanc>.**

By Order of the Board of Directors,

John B. Gerlach, Jr.  
*Chairman of the Board,  
Chief Executive Officer  
and President*

October 15, 2010



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**APPENDIX A**

**LANCASTER COLONY CORPORATION  
AMENDED AND RESTATED 2005 STOCK PLAN**

**1. Purposes of the Plan.** The purposes of this Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants and to promote the success of the Company's business. The Plan permits the grant of any of the following types of Awards, as the Administrator determines at the time of the grant: Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Stock Appreciation Rights, Restricted Stock Units, Performance Units, Performance Shares and Other Stock-Based Awards. The specifics of the Award(s) made shall be reflected in the terms of the written Award Agreement.

**2. Definitions.** As used herein, the following definitions shall apply:

**Administrator** means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

**Affiliate** means, with respect to any specified person, any other person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified person (control, controlled by and under common control with will mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contact or credit arrangement, as trustee or executor, or otherwise).

**Applicable Laws** means the requirements relating to the administration of equity-based awards or equity compensation plans under U.S. state corporate laws, U.S. federal and state securities law, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

**Award** means, individually or collectively, a grant under the Plan of Options, SARs, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares or Other Stock-Based Awards.

**Award Agreement** means the written agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

**Awarded Stock** means the Common Stock subject to an Award.

**Board** means the Board of Directors of the Company.

**Change in Control** means the occurrence of any of the following events:

- (a) Any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the beneficial owner (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (b) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; or
- (c) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto

continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**Code** means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code in this Plan is also a reference to any successor or amended section of the Code.

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**Committee** means a committee of Directors or other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4.

**Common Stock** means the Common Stock of the Company, or in the case of Performance Units and certain Other Stock-Based Awards, the cash equivalent of the Common Stock of the Company.

**Company** means Lancaster Colony Corporation, an Ohio corporation, or any of its successors.

**Consultant** means any person, including an advisor, engaged by the Company or any Parent or Subsidiary to render services and who is compensated for such services.

**Continuous Status as an Employee or Consultant** means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time, or in the case of transfers between locations of the Company or between the Company, its Subsidiaries or its successor. For purposes of this Plan, a change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute a termination of employment.

**Covered Employee** means a Participant who is, or is determined by the Administrator to be likely to become, a covered employee within the meaning of Section 162(m) of the Code (or any successor provision).

**Director** means a member of the Board.

**Disability** means total and permanent disability as defined in Section 22(e)(3) of the Code, *provided that* in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non discriminatory standards that the Administrator adopts from time to time.

**Dividend Equivalent** means a credit made at the discretion of the Administrator to the account of a Participant in an amount equal to the cash dividends paid on one Share for each Share represented by an Award held by such Participant.

**Employee** means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute employment by the Company.

**Exchange Act** means the Securities Exchange Act of 1934, as amended.

**Exchange Program** means a program (subject to shareholder approval pursuant to Section 4(b)(viii)) under which (a) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have lower exercise prices and different terms), Awards of a different type, and/or cash, and/or (b) the exercise price of an outstanding Award is reduced. The Administrator may determine the terms and conditions of any Exchange Program in its sole discretion.

**Fair Market Value** means, as of any date and unless the Administrator determines otherwise, the value of Common Stock determined as follows:

(a) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the NASDAQ Stock Market, its Fair Market Value shall be the closing sales price for such stock as quoted on such system on the date of determination (or the closing bid, if no sales were reported on that day) as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock will be the mean between the high bid and low asked prices for the Common Stock for the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

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(c) In the absence of an established market for the Common Stock, the Administrator will determine the Fair Market Value in good faith.

(d) Notwithstanding the preceding, for federal, state, and local income tax reporting purposes and for such other purposes as the Administrator deems appropriate, the Administrator will determine Fair Market Value in accordance with uniform and nondiscriminatory standards it adopts from time to time.

**Incentive Stock Option** means an option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and regulations promulgated thereunder.

**Nonstatutory Stock Option** means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

**Officer** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

**Option** means a stock option granted pursuant to this Plan.

**Optioned Stock** means the Common Stock subject to an Option.

**Optionee** means a Service Provider who receives an Option.

**Other Stock-Based Awards** means any other awards not specifically described in the Plan that are valued in whole or in part by reference to, or are otherwise based on, Shares and are created by the Administrator pursuant to Section 12.

**Outside Director** means a Director who is not an Employee.

**Parent** means a parent corporation as defined in Section 424(e) of the Code, whether that corporation is existing now or after the date of this Plan.

**Participant** means the holder of an outstanding Award granted under the Plan.

**Performance-Based Compensation** means compensation qualifying as performance-based compensation under Section 162(m) of the Code.

**Performance Objectives** means the measurable performance objective or objectives established by the Administrator pursuant to this Plan for Participants who received grants of Performance Shares or Performance Units or, when so determined by the Administrator, Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, dividend credits or Other Stock-Based Awards pursuant to this Plan. Performance Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or of the Subsidiary, division, department, region or function within the Company or Subsidiary in which the Participant is employed. The Performance Objectives may be made relative to the performance of other companies or subsidiaries, divisions, departments, regions or functions within such other companies, and may be made relative to an index or one or more of the performance objectives themselves. The Administrator may grant Awards subject to Performance Objectives that are either Performance-Based Compensation or are not Performance-Based Compensation. The Performance Objectives applicable to any Performance-Based Compensation to a Covered Employee will be based on one or more, or a combination, of the following criteria: (a) increase in share price; (b) earnings per share; (c) total shareholder return; (d) operating margin; (e) gross margin; (f) return on equity; (g) return on assets; (h) return on investment; (i) operating income; (j) net operating income; (k) pre tax profit; (l) cash flow; (m) revenue; (n) expenses;

(o) earnings before interest, taxes, depreciation and amortization; (p) economic value added and (q) market share.

**Performance Share** means an Award granted to a Service Provider pursuant to Section 10.

**Performance Unit** means an Award granted to a Service Provider pursuant to Section 10.

**Period of Restriction** means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of Performance Objectives, or the occurrence of other events as determined by the Administrator.

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**Plan** means this Amended and Restated 2005 Stock Plan.

**Restricted Stock** means shares of Common Stock issued pursuant to a Restricted Stock Award under Section 8, Section 11 or Section 12.

**Restricted Stock Unit** means an Award which may be earned in whole or in part upon the passage of time or the attainment of Performance Objectives established by the Administrator and which may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator pursuant to Sections 4 and 11.

**Rule 16b-3** means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

**Section** unless otherwise specified, refers to numbered sections of this Plan.

**Section 16(b)** means Section 16(b) of the Exchange Act.

**Service Provider** means an Employee, Director or Consultant.

**Share** means a share of the Common Stock, as adjusted in accordance with Section 15.

**Stock Appreciation Right** or **SAR** means an Award, granted alone or in connection with an Option, that pursuant to Section 9 is designated as a SAR.

**Subsidiary** means a subsidiary corporation as defined in Section 424(f) of the Code, whether that corporation exists now or after the date of this Plan.

**3. Stock Subject to the Plan.**

(a) **Stock Subject to the Plan.** Subject to the provisions of Section 15, the maximum aggregate number of Shares that may be issued under the Plan is 2,000,000 shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock. If an Award is settled in whole or in part with cash, the number of Shares available for future issuance under the Plan shall be reduced by the total amount of Shares issued pursuant to the Award (if applicable) and the number of Shares representing the portion of the Award settled in cash. If Shares are used to pay for the exercise of an Award, the number of Shares used to pay for the exercise of an Award shall be counted against the total number of Shares available for issuance under the Plan. If a Participant pays the exercise price (or purchase price, if applicable) of an Award by tendering Shares, or if Shares are tendered or withheld to satisfy any Company withholding obligations, the number of Shares so tendered or withheld shall be counted against the total number of Shares available for issuance under the Plan.

(b) **Lapsed Awards under this Plan.** If any outstanding Award expires or is terminated or canceled without having been exercised or settled in full, or if Shares acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or the Company repurchases them, the Shares allocable to the terminated portion of such Award or such forfeited or repurchased Shares under this Plan or shall again be available for grant under the Plan.

**4. Administration of the Plan.**

(a) **Procedure.** The Plan will be administered by the Board or by a Committee, which committee will be constituted to satisfy Applicable Laws. Notwithstanding this general statement, the following specific procedures shall apply:

(i) Multiple Administrative Bodies. Different Committees may administer the Plan with respect to different groups of Service Providers.

(ii) Section 162(m). To the extent that the Administrator determines it to be desirable and necessary to qualify Awards granted under this Plan as Performance-Based Compensation, the Plan will be administered by a Committee of two or more outside directors within the meaning of Section 162(m) of the Code.

(iii) Rule 16b-3. To the extent desirable to qualify transactions under this Plan as exempt under Rule 16b-3, the transactions contemplated under this Plan will be structured to satisfy the requirements for exemption under Rule 16b-3.

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(iv) Delegation of Authority for Day-to-Day Administration. Except to the extent prohibited by Applicable Law, the Administrator may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to it in this Plan. The Administrator may revoke any delegation at any time.

(b) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion, to:

(i) determine the Fair Market Value;

(ii) select the Service Providers to whom Awards may be granted under the Plan;

(iii) determine the number of Shares to be covered by each Award granted under the Plan;

(iv) approve forms of agreement for use under the Plan;

(v) determine the terms and conditions, consistent with the terms of the Plan, of any Award granted under the Plan. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on Performance Objectives), any vesting acceleration or waiver of forfeiture or repurchase restrictions, and any restriction or limitation regarding any Award or the Shares relating to any Award, based in each case on such factors as the Administrator, in its sole discretion, will determine;

(vi) construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(vii) prescribe, amend and rescind rules and policies relating to the Plan, including rules and policies relating to sub-plans established for the purpose of satisfying applicable foreign laws and/or qualifying for preferred tax treatment under applicable foreign tax laws;

(viii) modify or amend each Award (subject to Section 18(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Awards longer than is otherwise provided for in the Plan, provided that (A) the reduction of the exercise price or purchase price of any Award awarded under the Plan shall be subject to shareholder approval, (B) any Exchange Program shall be subject to shareholder approval and (C) the vesting schedule for Awards of Restricted Stock, Restricted Stock Units Performance Shares and Performance Units may only be amended in the event of a Change in Control or in the event of the Participant's death or Disability;

(ix) allow Participants to satisfy withholding tax obligations by electing to have the Company withhold from the Shares or cash to be issued upon exercise or vesting of an Award that number of Shares or cash having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of any Shares to be withheld will be determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares or cash withheld for this purpose will be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(x) authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xi) allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award;

(xii) determine whether Awards will be settled in Shares, cash or in any combination thereof;

(xiii) determine whether Awards will be adjusted for Dividend Equivalents;

(xiv) create Other Stock-Based Awards for issuance under the Plan;

(xv) establish a program whereby Service Providers designated by the Administrator can reduce compensation otherwise payable in cash in exchange for Awards under the Plan;

(xvi) impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfer by the Participant of any Shares

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issued as a result of or under an Award, including without limitation, (A) restrictions under an insider trading policy, and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers; and

(xvii) make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

**5. Eligibility.** Any Service Providers may be granted Nonstatutory Stock Options, Restricted Stock, Stock Appreciation Rights, Performance Units, Performance Shares, Restricted Stock Units and Other Stock-Based Awards. Incentive Stock Options may be granted only to Participants who meet the definition of employees under Section 3401(c) of the Code.

## **6. Limitations.**

(a) Incentive Stock Options.

(i) Plan Limit. The aggregate number of Shares actually issued or transferred by the Company upon the exercise of Incentive Stock Options will not exceed 2,000,000 shares of Common Stock; and

(ii) \$100,000 Rule. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000, such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a)(ii), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(b) No Rights as a Service Provider. Neither the Plan nor any Award shall confer upon a Participant any right with respect to continuing his or her relationship as a Service Provider, nor shall they interfere in any way with the right of the Participants or the right of the Company or its Parent or Subsidiaries to terminate such relationship at any time, with or without cause.

(c) Individual Limitations on Awards.

(i) Individual Limit for Options and SARs. The maximum number of Shares with respect to which Options and SARs may be granted to any Participant in any calendar year shall be 50,000. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 15 below. To the extent required by Section 162(m) of the Code or the regulations thereunder, in applying the foregoing limitations with respect to a Participant, if any Option or SAR is canceled, the canceled Option or SAR shall continue to count against the maximum number of Shares with respect to which Options and SARs may be granted to the Participant. For this purpose, the repricing of an Option (or in the case of a SAR, the base amount on which the stock appreciation is calculated is reduced to reflect a reduction in the Fair Market Value of the Common Stock) shall be treated as the cancellation of the existing Option or SAR and the grant of a new Option or SAR.

(ii) Individual Limit for Restricted Stock, Restricted Stock Units, Performance Share and Performance Units. For awards of Restricted Stock, Restricted Stock Units, Other Stock-Based Awards, Performance Shares and Performance Units that are intended to be Performance-Based Compensation, the maximum number of Shares with respect to which such Awards may be granted to any Participant in any calendar year shall be 50,000. The foregoing limitation

shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 15 below.

(d) Performance-Based Exercise Price. In the case of Awards intended to qualify as Performance-Based Compensation, the exercise or purchase price, if any, shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(e) Vesting of Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units. Awards of Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units issued under the

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Plan shall vest and be released from the risk of forfeiture over a period of no less than one (1) year measured from the date of issuance of the Award. As provided in Section 4(b)(viii), the vesting schedule for awards of Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may only be amended in the event of a Change in Control or in the event of the Participant's death or Disability.

**7. Stock Options.**

(a) Term of Option. The term of each Option will be designated by the Administrator in each Award Agreement, provided, however, that no Option shall be exercisable for a period of more than ten (10) years from the date of grant. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(b) Option Exercise Price and Consideration.

(i) Exercise Price. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, in the case of an Option issued pursuant to a merger or other corporate transaction, the exercise price for the Option shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

(ii) Performance Objectives. Any grant of an Option may specify Performance Objectives that must be achieved as a condition to the exercise of such Option.

(iii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(c) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration to the extent permitted by Applicable Laws may consist entirely of:

(i) cash;

(ii) check;

(iii) other Shares which meet the conditions established by the Administrator to avoid adverse accounting consequences (as determined by the Administrator);

(iv) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan;

(v) any combination of the foregoing methods of payment; or

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(vi) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

(d) Exercise of Option.

(i) Procedure for Exercise: Rights as a Shareholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (x) written notice of exercise (in accordance with the Award Agreement) from the person entitled to exercise the Option, and (y) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse or the Participant's nominee. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Awarded Stock, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 15 of the Plan or the applicable Award Agreement.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable until the earlier of (A) the expiration of its original term or (B) ninety (90) days following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert immediately to the Plan on the date of the Participant's termination. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable until the earlier of (A) the expiration of its original term or (B) one-hundred and eighty (180) days following the Participant's termination.

Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan on the date of the Participant's termination. If after the termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has

been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable until the earlier of (A) the expiration of its original term

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or (B) the first anniversary of the Participant's death. Unless otherwise provided by the Shares covered by the unvested portion of the Option will immediately revert to the Plan on the date of the Participant's death. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

**8. Restricted Stock.**

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, determines.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, determines. Unless the Administrator determines otherwise, Shares of Restricted Stock will be held by the Company as escrow agent until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The Administrator, in its sole discretion and in compliance with Section 4(b)(viii), may accelerate the time at which any restrictions will lapse or be removed.

(f) Performance Objectives. Any grant of Restricted Stock may specify Performance Objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such Restricted Stock.

(g) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(h) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(i) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

**9. Stock Appreciation Rights.**

(a) Grant of SARs. Subject to the terms and conditions of the Plan, a SAR may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of SARs granted to any Service Provider.

(c) Exercise Price and Other Terms. The Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of SARs granted under the Plan. Notwithstanding anything in this Plan to the contrary, the per Share base price for each SAR granted under this Plan will be no less than 100% of the Fair Market Value per Share on the date of grant.

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(d) Performance Objectives. Any grant of a SAR may specify Performance Objectives that must be achieved as a condition to the exercise of such rights.

(e) Exercise of SARs. SARs will be exercisable on such terms and conditions as the Administrator, in its sole discretion, determines.

(f) SAR Agreement. Each SAR grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, determines.

(g) Expiration of SARs. A SAR granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 7(d)(ii), 7(d)(iii) and 7(d)(iv) also will apply to SARs.

(h) Payment of SAR Amount. Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(ii) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Administrator, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

**10. Performance Units and Performance Shares.**

(a) Grant of Performance Units/Shares. Subject to the terms and conditions of the Plan, Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as determined by the Administrator, in its sole discretion. Subject to Section 6(c)(ii), the Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set Performance Objectives in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid to the Service Providers. The time period during which the Performance Objectives must be met will be called the Performance Period. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, determines. Partial achievement of the specified Performance Objectives may result in a payment or vesting corresponding to the degree of achievement as specified in the Award Agreement.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Objectives have been achieved.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon after the expiration of the applicable Performance Period as determined by the Administrator. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

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**11. Restricted Stock Units.** Restricted Stock Units may be earned in whole or in part upon the passage of time or the attainment of Performance Objectives established by the Administrator and which may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

**12. Other Stock-Based Awards.** Other Stock-Based Awards may be granted either alone, in addition to, or in tandem with, other Awards granted under the Plan and/or cash awards made outside of the Plan. The Administrator shall have authority to determine the Service Providers to whom and the time or times at which Other Stock-Based Awards shall be made, the amount of such Other Stock-Based Awards, and all other conditions of the Other Stock-Based Awards, which may include the achievement of Performance Objectives and any dividend and/or voting rights.

**13. Leaves of Absence.** Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence and will resume on the date the Participant returns to work on a regular schedule as determined by the Company; provided, however, that no vesting credit will be awarded for the time vesting has been suspended during such leave of absence. A Service Provider will not cease to be an Employee in the case of (a) any leave of absence approved by the Company or (b) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three months following the expiration of such three (3) month period any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Non Statutory Stock Option.

**14. Non Transferability of Awards.** Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award Agreement will contain such additional terms and conditions as the Administrator deems appropriate.

**15. Adjustments; Dissolution or Liquidation; Change in Control.**

(a) Adjustments. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, the maximum number of Shares with respect to which Awards may be granted to any Participant in any calendar year, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, or (iii) any other transaction with respect to Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. In the event of any distribution of cash or other assets to shareholders other than a normal cash dividend, the Administrator may also, in its discretion, make adjustments described in (i)-(iii) of this Section 15(a) or substitute, exchange or grant Awards with respect to the shares of a Parent or Subsidiary of the Company (collectively adjustments ). In determining adjustments to be made under this Section 15(a), the Administrator may take into account such factors as it deems appropriate, including (x) the restrictions of Applicable Law, (y) the potential tax, accounting or other consequences of an adjustment and (z) the possibility that some Participants might receive an adjustment and a distribution or other unintended benefit, and in light of such factors or circumstances may make

adjustments that are not uniform or proportionate among outstanding Awards, modify vesting dates, defer the delivery of stock certificates or make other equitable adjustments. Any such adjustments to outstanding Awards will be effected in a manner that precludes the material enlargement of rights and benefits under such Awards. Adjustments, if any, and any determinations or interpretations, including any determination of whether a distribution is other than a normal cash dividend, shall be made by

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the Administrator and its determination shall be final, binding and conclusive. In connection with the foregoing adjustments, the Administrator may, in its discretion, prohibit the exercise of Awards during certain periods of time. Except as the Administrator determines, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its sole discretion may provide for a Participant to have the right to exercise his or her Award, to the extent applicable, until ten (10) days prior to such transaction as to all of the Awarded Stock covered thereby, including Shares as to which the Award would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option or forfeiture rights applicable to any Award shall lapse 100%, and that any Award vesting shall accelerate 100%, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised or vested, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control.

(i) Stock Options and SARs. In the event of a Change in Control, each outstanding Option and SAR shall be assumed or an equivalent option or SAR substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. With respect to Options and SARs granted to an Outside Director, the Participant shall fully vest in and have the right to exercise such Options and SARs as to all of the Awarded Stock, including Shares as to which it would not otherwise be vested or exercisable, immediately prior to the Change in Control. Unless determined otherwise by the Administrator, in the event that the successor corporation refuses to assume or substitute for the Option or SAR, the Participant shall fully vest in and have the right to exercise the Option or SAR as to all of the Awarded Stock, including Shares as to which it would not otherwise be vested or exercisable. If an Option or SAR is not assumed or substituted in the event of a Change in Control, the Administrator shall notify the Participant in writing or electronically that the Option or SAR shall be exercisable, to the extent vested, for a period of time (as determined by the Administrator) following the date of such notice, and the Option or SAR shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option or SAR shall be considered assumed if, following the Change in Control, the option or stock appreciation right confers the right to purchase or receive, for each Share of Awarded Stock subject to the Option or SAR immediately prior to the Change in Control, the consideration (whether stock cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or SAR, for each Share of Awarded Stock subject to the Option or SAR, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control. Notwithstanding anything herein to the contrary, an Award that vests, is earned or paid out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(ii) Restricted Stock, Performance Shares, Performance Units, Restricted Stock Units and Other Stock-Based Awards. In the event of a Change in Control, each outstanding Restricted Stock, Performance Share, Performance Unit, Other Stock-Based Award and Restricted Stock Unit awards shall be assumed or an equivalent Restricted Stock,

Performance Share, Performance Unit, Other Stock-Based Award and Restricted Stock Unit award substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. With respect to Awards granted to an Outside Director, the Participant shall fully vest in such Awards, including Shares as to which it would not otherwise be vested or exercisable, immediately prior to the Change in Control. Unless determined otherwise by the Administrator, in the event that the successor corporation refuses to assume or substitute for the Restricted Stock, Performance Share, Performance Unit, Other Stock-Based Award and Restricted



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Stock Unit award, the Participant shall fully vest in the Restricted Stock, Performance Share, Performance Unit, Other Stock-Based Award or Restricted Stock Unit including as to Shares which would not otherwise be vested. If an award of Restricted Stock, Performance Shares, Performance Units, Other Stock-Based Awards or Restricted Stock Units is not assumed or substituted in the event of a Change in Control, the Administrator shall notify the Participant in writing or electronically that such Award shall be exercisable, to the extent vested, for a period of time (as determined by the Administrator) following the date of such notice, and that such Award shall terminate upon the expiration of such period. For purposes of this paragraph, Restricted Stock, Performance Share, Performance Unit, Other Stock-Based Award and Restricted Stock Unit award shall be considered assumed if, following the Change in Control, the award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control. Notwithstanding anything herein to the contrary, an Award that vests, is earned or paid out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

**16. Date of Grant.** The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

**17. Term of Plan.** Subject to Section 22 of the Plan, the Plan will become effective upon receipt of shareholder approval as set forth in Section 22 of the Plan. It will continue in effect for a term ending on May 24, 2015, which date is ten (10) years from the date of adoption of the Company's 2005 Stock Plan by the Board, unless terminated earlier under Section 18 of the Plan.

## **18. Amendment and Termination of the Plan.**

(a) **Amendment and Termination.** The Board may at any time amend, alter, suspend or terminate the Plan.

(b) **Shareholder Approval.** The Company will obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws, or if such amendment would change any of the provisions of Section 4(b)(viii) or this Section 18(b).

(c) **Effect of Amendment or Termination.** Subject to Section 20, no amendment, alternation, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

## **19. Conditions Upon Issuance of Shares.**

(a) **Legal Compliance.** Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the

approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise or receipt of an Award, the Company may require the person exercising or receiving such Award to represent and warrant at the time of any such exercise or receipt that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

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**20. Severability.** Notwithstanding any contrary provision of the Plan or an Award to the contrary, if any one or more of the provisions (or any part thereof) of this Plan or the Awards shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan or Award, as applicable, shall not in any way be affected or impaired thereby.

**21. Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary for the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability with respect to the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

**22. Compliance with Section 409A of the Code.**

(a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participants. This Plan and any grants made hereunder shall be administered in a manner consistent with this intent. Any reference in this Plan to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

(b) Neither a Participant nor any of a Participant's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its affiliates.

(c) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (i) the Participant is a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time); and (ii) the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code), the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code; then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it, without interest, on the first business day of the month after such six-month period.

(d) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to this Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

**23. Shareholder Approval.** The Plan will be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval will be obtained in the manner and to the degree required under Applicable Laws.

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October 15, 2010

Dear Lancaster Colony Corporation Employee Stock Ownership Plan Participant:

Pursuant to Section 5.9 of the Lancaster Colony Corporation Employee Stock Ownership Plan and Trust Agreement (the Plan ), you are entitled to instruct Huntington Trust Company, N.A., as trustee under the Plan (the Trustee ), as to the manner in which the Lancaster Colony Corporation shares of stock allocated to your individual account under the Plan are to be voted as well as a pro-rata portion (in the proportion that the number of shares allocated to your account under the Plan bears to the total number of shares in the Plan) of the shares allocated to other participants' accounts under the Plan who do not provide instructions to the Trustee ( uninstructed shares ). The Annual Meeting of Shareholders of Lancaster Colony Corporation will be held on November 15, 2010 (see enclosed Notice of Annual Meeting of Shareholders ). The matters which are anticipated to come before the shareholders and require shareholder action are set forth in the enclosed Proxy Statement. **The Board of Directors of Lancaster Colony Corporation recommends that you vote in favor of proposals 1, 2, 3 and 4.** Consequently, please indicate your confidential voting instructions to the Trustee for the:

1. Election of Directors

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **FOR** all Nominees listed under the section titled Proposal No. 1 Nomination and Election of Directors Nominees for Term to Expire in 2013 of the Proxy Statement, enclosed.

OR:

**WITHHOLD VOTE OF ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **FROM** all Nominees listed under the section titled Proposal No. 1 Nomination and Election of Directors Nominees for Term to Expire in 2013 of the Proxy Statement, enclosed.

OR:

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **FOR** all Nominees listed under the section titled Proposal No. 1 Nomination and Election of Directors Nominees for Term to Expire in 2013 of the Proxy Statement, enclosed, **EXCEPT WITHHOLD VOTE** from the following nominee(s):

2. Ratification of Selection of Independent Registered Public Accounting Firm

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **FOR** the ratification of Deloitte & Touche LLP as Lancaster Colony Corporation's independent registered public accounting firm for the year ending June 30, 2011.

OR:

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **AGAINST** the ratification of Deloitte & Touche LLP as Lancaster Colony Corporation's independent registered public accounting firm for the year ending June 30, 2011.

OR:

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares to **ABSTAIN** in connection with the ratification of Deloitte & Touche LLP as Lancaster Colony Corporation's independent registered public accounting firm for the year ending June 30, 2011.

(See Reverse Side)

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3. Approval of the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **FOR** the approval of the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan.

OR:

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **AGAINST** the approval of the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan.

OR:

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares to **ABSTAIN** in connection with the approval of the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan.

4. To Transact Such Other Business as May Properly Come Before the Annual Meeting or Any Adjournments or Postponements of the Annual Meeting

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **FOR** the approval and adoption of the proposal to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

OR:

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares **AGAINST** the approval and adoption of the proposal to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

OR:

**VOTE ALL SHARES** of Lancaster Colony Corporation stock allocated to your individual account under the Plan together with a pro-rata portion of uninstructed shares to **ABSTAIN** in connection with the approval and adoption of the proposal to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

Please check only one of the above for each matter to be voted upon, and then sign and return this form to the Trustee in the enclosed postage prepaid envelope.

**NOTE:** If no instructions are received from you by the Trustee by November 10, 2010, all such Lancaster Colony Corporation shares shall be voted by the Trustee as described in the first paragraph of this form.

Very truly yours,

Lancaster Colony Corporation

Employee Stock Ownership Plan Committee

Date

Participant's Signature

Enclosures

Print Name

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**ANNUAL MEETING OF SHAREHOLDERS OF  
LANCASTER COLONY CORPORATION  
November 15, 2010**

**PROXY VOTING INSTRUCTIONS**

**INTERNET** - Access **www.voteproxy.com** and follow the on-screen instructions. Have your proxy card available when you access the web page, and use the Company Number and Account Number shown on your proxy card. Vote online until 11:59 PM EST the day before the meeting.

**MAIL** - Sign, date and mail your proxy card in the envelope provided as soon as possible.

**IN PERSON** - You may vote your shares in person by attending the Annual Meeting.

**COMPANY NUMBER**

**ACCOUNT NUMBER**



**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS:** The Notice of Meeting, Proxy Statement, Annual

Report and Proxy Card are available at <http://www.proxydocs.com/lanc>

Please detach along perforated line and mail in the envelope provided IF you are not voting via the Internet.

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**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF PROPOSALS 1, 2 AND 3.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý**

- |  | FOR                   | AGAINST               | ABSTAIN               |
|--|-----------------------|-----------------------|-----------------------|
| 1. To elect three directors, each for a term that expires in 2013:   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 2. To ratify the selection of Deloitte & Touche LLP as the Corporation's independent registered public accounting firm for | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

the year ending June  
30, 2011;

**NOMINEES:**

- FOR ALL NOMINEES**
- Kenneth L. Cooke
- Alan F. Harris

- WITHHOLD AUTHORITY FOR ALL NOMINEES**
- Zuheir Sofia

- FOR ALL EXCEPT**  
(See instructions below)

3. To approve the Lancaster Colony Corporation Amended and Restated 2005 Stock Plan; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: n

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER(S). IF NO DIRECTION IS MADE THIS PROXY WILL BE VOTED FOR EACH OF THE PROPOSALS AND FOR EACH OF THE NOMINEES SIGNING HEREIN, FOR PROPOSALS AND FOR PROPOSALS. IN THE EVENT OF A DISCREPANCY, THE PROXIES ARE AUTHORIZED TO TAKE ACTION AND VOTE IN ACCORDANCE WITH THEIR JUDGMENT UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING, OR AT ANY AND ALL ADJOURNMENTS OR POSTPONEMENTS OF THE ANNUAL MEETING.**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

|                          |       |                          |       |
|--------------------------|-------|--------------------------|-------|
| Signature of Shareholder | Date: | Signature of Shareholder | Date: |
|--------------------------|-------|--------------------------|-------|

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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**LANCASTER COLONY CORPORATION  
37 West Broad Street, Columbus, Ohio 43215  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF  
LANCASTER COLONY CORPORATION**

**Notice of the 2010 Annual Meeting of Shareholders to be held on November 15, 2010**

The undersigned hereby appoints Matthew R. Shurte, John B. Gerlach, Jr. and David M. Segal, or any of them separately, as proxies of the undersigned, each with the power of substitution, and hereby authorizes them to represent and to vote, as designated herein, all the shares of common stock of Lancaster Colony Corporation held of record by the undersigned at the close of business on September 17, 2010 that the undersigned would be entitled to vote, and to exercise all of the powers that the undersigned would be entitled to exercise as a shareholder, if personally present, at the Annual Meeting of Shareholders to be held in the Bexley I meeting room at the Embassy Suites Hotel, 2886 Airport Drive, Columbus, Ohio 43219 at 11:00 a.m., Eastern Standard Time, on November 15, 2010, or at any and all adjournments or postponements of the Annual Meeting of Shareholders.

**(Continued and to be signed on the reverse side)**

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