

LUBYS INC  
Form PRRN14A  
December 20, 2018  
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. 2)

Filed by the Registrant [ ]

Filed by a Party Other than the Registrant [X]

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 Rule 14a-11(c) or Rule 14a-12

LUBY'S, INC.

(Name of registrant as specified in its charter)

BANDERA MASTER FUND L.P.  
BANDERA PARTNERS LLC  
GREGORY BYLINSKY  
JEFFERSON GRAMM  
WILLIAM PHILIP GRAMM  
STACY HOCK  
SAVNEET SINGH

(Name of person(s) filing proxy statement, if other than the registrant)

Copies to:

Christopher P. Davis, Esq.  
Kleinberg, Kaplan, Wolff & Cohen, P.C.  
551 Fifth Avenue, New York, New York 10176  
(212) 986-6000

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:  
(2) Aggregate number of securities to which transaction applies:  
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is

calculated and state how it is determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

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[Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1

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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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PRELIMINARY COPY SUBJECT TO COMPLETION DATED DECEMBER 20, 2018

BANDERA MASTER FUND L.P.

December \_\_, 2018

Dear Fellow Stockholder:

Bandera Master Fund L.P. together with the other participants in this solicitation (collectively, “Bandera” or “we”) is a significant and longstanding stockholder of Luby’s, Inc., a Delaware corporation and a Texas institution (“Luby’s” or the “Company”), beneficially owning a total of 2,901,000 shares of Common Stock, \$.32 par value per share, representing approximately 9.8% of the shares outstanding. We have owned shares of Luby’s for over a decade. Bandera focuses on a long-term value investing strategy based on buying companies at a margin of safety to their intrinsic value. While Bandera sometimes engages with management teams to effect positive change, we rarely push for board changes. In the case of Luby’s, however, we feel board changes are absolutely necessary to unlock the value we believe is trapped at the Company.

We are seeking your support for the election of our four highly-qualified nominees to Luby’s Board of Directors (the “Board”) and grant of your authority to vote for the Company’s nominees other than [ ], [ ], [ ] and [ ] at the 2019 annual meeting of stockholders, currently scheduled to be held on [ ], 2019, at \_\_: \_\_ M., local time, at

\_\_\_\_\_ (including any adjournments or postponements thereof and any meeting which may be called in lieu thereof, the “Annual Meeting”). At the Annual Meeting stockholders are being asked:

to elect Bandera’s four director nominees (the “Nominees”) and to grant authority to vote for the Company’s nominees

1. other than, [ ], [ ], [ ] and [ ] to serve until the next annual meeting of stockholders or until their successors are elected and duly qualified;

2. to ratify the appointment of Grant Thornton LLP as the Company’s independent registered public accounting firm of the Company for the fiscal year ending August 28, 2019;

3. to conduct an advisory vote approving the compensation of the Company’s named executive officers;

4. to approve an amendment of the Company’s Amended and Restated Certificate of Incorporation to eliminate the supermajority voting requirement for shareholders to remove directors and

5. to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

This Proxy Statement and enclosed GOLD proxy card is soliciting proxies to elect our experienced Nominees. We are seeking your support at the Annual Meeting to elect our four nominees and to grant authority to vote for the Company’s nominees other than [ ], [ ], [ ] and [ ]. Our Nominees are all highly accomplished. If our Nominees are elected, they will constitute a minority of the Board.

We urge you to consider carefully the information contained in the attached proxy statement and then support our efforts by signing, dating and returning the enclosed GOLD proxy card today. The attached proxy statement and the enclosed GOLD proxy card are first being furnished to the stockholders on or about December [ ], 2018.

If you have already submitted a proxy in relation to the Annual Meeting, you have every right to revoke or change the voting instructions set out therein by signing, dating and returning a later dated GOLD proxy card or by voting in person at the Annual Meeting. We encourage you to do so.

If you have any questions or require any assistance with your vote, please contact InvestorCom, which is assisting us, at its address and toll-free number listed on the following page.

Thank you for your support.

Bandera Master Fund L.P.

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting

The attached Proxy Statement and GOLD proxy card are available at:

[www.icommaterials.com/bandera](http://www.icommaterials.com/bandera)

InvestorCom  
65 Locust Avenue,  
New Canaan, CT 06840  
+ 1 (203) 972-9300 (Main)  
+ 1 (877) 972-0090 (Toll-Free)  
Email: [info@investor-com.com](mailto:info@investor-com.com)  
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PRELIMINARY COPY SUBJECT TO COMPLETION DATED DECEMBER 20, 2018

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ANNUAL MEETING OF STOCKHOLDERS  
OF  
LUBY'S, INC.  
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PROXY STATEMENT  
OF  
BANDERA MASTER FUND L.P.  
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PLEASE SIGN, DATE AND MAIL THE ENCLOSED GOLD PROXY CARD TODAY

Bandera Master Fund L.P., together with the other participants in this proxy solicitation (collectively, "Bandera" or "we") is a significant and longstanding stockholder of Luby's, Inc., a Delaware corporation and a Texas institution ("Luby's" or the "Company"), beneficially owning a total of 2,901,000 shares of Common Stock, \$.32 par value per share (the "Common Stock"), representing approximately 9.8% of the shares outstanding. We have owned shares of Luby's for over a decade. We are writing to you because we believe that the Company is significantly undervalued and have serious doubts that the Board of Directors (the "Board") as currently constituted can unlock this value. We have nominated four highly-qualified, capable and committed individuals who have the relevant skill sets we believe are key to unlocking the Company's potential. We are seeking your support and your vote at the annual meeting of stockholders currently scheduled to be held on [ ], 2019, at \_:\_ \_M., local time, at

\_\_\_\_\_ (including any adjournments or postponements thereof and any meeting which may be called in lieu thereof, the "Annual Meeting"), for the following:

1. to elect all four of Bandera's director nominees—Jefferson Gramm, Senator William Philip Gramm, Stacy Hock and Savneet Singh (the "Nominees")—to the Board in and to grant authority to vote for the Company's nominees other than [ ], [ ], [ ] and [ ] to serve until the next annual meeting of stockholders or until their successors are elected and duly qualified;
2. to ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm of the Company for the fiscal year ending August 28, 2019;
3. to adopt a resolution approving, on an advisory basis, the compensation of the Company's named executive officers;
4. to approve an amendment of the Company's Amended and Restated Certificate of Incorporation to eliminate the supermajority voting requirement for shareholders to remove directors and
5. to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The participants in this proxy solicitation are Bandera Master Fund L.P. (the "Master Fund"), Bandera Partners LLC ("Bandera Partners"), Gregory Bylinsky and Jefferson Gramm (in such capacity, and collectively with the Master Fund, Bandera Partners and Mr. Bylinsky, the "Bandera Entities") and the Nominees.

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This Proxy Statement and the enclosed GOLD proxy card are first being furnished to stockholders on or about December [ ], 2018. As of the date hereof, Bandera collectively beneficially owns an aggregate of 2,901,000 shares of Common Stock.<sup>1</sup> We intend to vote such shares of Common Stock FOR the election of our Nominees and for the Company's nominees other than [ ], [ ], [ ] and [ ], FOR the ratification of the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending August 28, 2019, AGAINST the approval, on an advisory basis, of the compensation of the Company's named executive officers, ABSTAIN on the amendment of the Company's Amended and Restated Certificate of Incorporation to eliminate the supermajority voting requirement for shareholders to remove directors, and in the discretion of the persons named as proxies on all other matters as may properly come before the Annual Meeting, as described herein.

The Board has fixed [ ] as the record date for determining holders of Common Stock who are entitled to vote at the Annual Meeting (the "Record Date"). According to the Company, as of the Record Date the Company had approximately [ ] shares of Common Stock outstanding and entitled to be voted. Each share of Common Stock entitles the record holder to one vote on each matter to be voted upon at the Annual Meeting. The mailing address of the principal executive offices of the Company is 13111 Northwest Freeway, Suite 600, Houston, Texas 77040. Stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. THIS SOLICITATION IS BEING MADE BY BANDERA AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OR MANAGEMENT OF THE COMPANY. WE ARE NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING, OTHER THAN AS SET FORTH IN THIS PROXY STATEMENT. SHOULD OTHER MATTERS, WHICH WE ARE NOT AWARE OF A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED GOLD PROXY CARD WILL VOTE ON SUCH MATTERS IN THEIR DISCRETION.

BANDERA URGES YOU TO SIGN, DATE AND RETURN THE GOLD PROXY CARD IN FAVOR OF THE ELECTION OF OUR NOMINEES AND TO GRANT AUTHORITY TO VOTE FOR THE COMPANY'S NOMINEES OTHER THAN [ ], [ ], [ ] AND [ ].

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY COMPANY MANAGEMENT OR THE BOARD, YOU MAY REVOKE THAT PROXY AND VOTE ON EACH OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT BY SIGNING, DATING AND RETURNING THE ENCLOSED GOLD PROXY CARD. WE ENCOURAGE YOU TO DO SO. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE ANNUAL MEETING OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting

This Proxy Statement and our proxy card are available at:  
[www.icommaterials.com/bandera](http://www.icommaterials.com/bandera)

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<sup>1</sup> As described elsewhere in this Proxy Statement, Mr. J. Gramm personally owns an additional 10,000 shares of Common Stock and may be deemed to beneficially own a total of 2,911,000 shares of Common Stock.

IMPORTANT

Your vote is important, no matter how many or how few shares of Common Stock you own. Your vote matters. Bandera urges you to sign, date, and return the enclosed GOLD proxy card today to vote FOR our Nominees and the Company's nominees other than [ ], [ ], [ ] and [ ].

If you are a "registered stockholder", please sign and date the enclosed GOLD proxy card and return it to Bandera, c/o InvestorCom, in the enclosed postage-paid envelope today.

If you own shares in a brokerage account or through a bank, you are considered a "beneficial stockholder", and the Bandera proxy materials, together with a voting instruction form (VIF), are being forwarded to you by your broker or bank. As a "beneficial owner", you must instruct your broker, trustee or other representative on how to vote your shares. Your broker cannot vote your shares on your behalf without receiving instructions from you.

Depending upon your broker or custodian's voting policy, you may be able to vote either by toll-free telephone or by using the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form in the pre-paid envelope provided to you.

Please do not sign or return any WHITE proxy card you may receive from the Company. If you have already submitted a WHITE proxy card, you have every right to change your vote and we encourage you to do so.

Please use the GOLD proxy card to vote by Internet or telephone or simply sign, date and return the GOLD proxy card. Only your latest dated proxy will be counted.

InvestorCom  
65 Locust Avenue,  
New Canaan, CT 06840  
+ 1 (203) 972-9300 (Main)  
+ 1 (877) 972-0090 (Toll-Free)  
Email: info@investor-com.com



## BACKGROUND TO THE SOLICITATION

A chronology of our interactions with the Company is as follows:

On July 30, 2018, Bandera had a phone call with Chris Pappas, the CEO of Luby's, Scott Gray, the CFO, and Peter Tropoli, the COO at the time, to discuss the Company's financing issues. Bandera expressed its willingness to be of assistance and offered to help lead and/or participate in a low-cost equity fundraise, if the Company needed to raise money quickly.

On August 15, 2018, the Company entered into a Consent and Waiver to its credit agreement (dated November 8, 2016). Pursuant to the waiver, the Company's lenders extended the compliance waiver period of a previous waiver (granted in July) until August 27, 2018. On August 23, 2018, Bandera sent an email to Scott Gray, the CFO, and Peter Tropoli, the COO at the time, offering again to be of assistance and stating that Bandera could help with an affordable equity financing if the Company got into deeper trouble with its existing banking relationships. Mr. Tropoli responded that the Company would follow-up in the event there was interest on their side.

On October 25, 2018, Bandera reached out to Mr. Gray requesting an introduction to Todd Coutee, the new COO. Mr. Gray responded that he would set up an introduction soon.

On November 2, 2018, Bandera had a phone call with Peter Tropoli, by then Luby's general counsel, to discuss potential Board changes, including exploring the Company's willingness to consider three Bandera nominees for the Board. Bandera requested a response within a few days, failing which it would need to consider all options.

Also on November 2, 2018 Bandera emailed Mr. Gray requesting a conference with him and Mr. Pappas. Mr. Gray shortly after called Mr. J. Gramm offering to facilitate a conversation with Mr. Coutee, Mr. J. Gramm mentioned that it would be more helpful if he could speak with Mr. Pappas at that point in time. Mr. Gray said he would check and get back to him; however, that call was never arranged.

Then on November 2, 2018, Bandera emailed current director Jill Griffin asking for an opportunity to speak. Ms. Griffin responded that she would confirm with the Company, but never followed up.

Also on November 2, 2018, Mr. J. Gramm reached out to director Gerald Bodzy by leaving a message with his listed business address. He attempted to reach out to Gaspir Mir, but the number for his business as listed in his Luby's bio was disconnected.

On November 7, 2018, Peter Tropoli, internal counsel to the Company, reached out to Bandera via telephone on an unsolicited basis to discuss extending the deadline for Bandera to nominate individuals to the Board of Luby's (the "Deadline Extension"). Mr. Tropoli sent a letter via email to Bandera formally offering the Deadline Extension.

On November 8 and 9, 2018, outside counsel to the Company and outside counsel to Bandera exchanged emails concerning questions regarding the scope of the Deadline Extension and documenting the same.

On November 9, 2018, outside counsel to Bandera emailed outside counsel to the Company to accept the Deadline Extension.

On November 10, 2018, Mr. Tropoli reached out to Bandera inquiring when they should expect to receive further information on Bandera's nominees and their background. Mr. J. Gramm forwarded the names of three of the proposed director nominees it was considering, but he'd not decided on, at the time.

On November 12, 2018, in an effort to avoid a proxy solicitation, Bandera emailed a settlement proposal (the "Settlement Proposal") to Mr. Tropoli and indicated that Bandera would like to use the next forty-eight hours to achieve a mutually acceptable resolution. In general, the Settlement Proposal asked for the Company to appoint three of Bandera's nominees to the Board, eliminate the Executive Committee and create two new committees – the "Cost Rationalization Committee" and the "Strategic Alternative Committee." A copy of the Settlement Proposal is attached hereto as Exhibit A, Bandera leaves it to the shareholder to decide if the terms of the Settlement Proposal are fair. To date, Bandera has not received a substantive response, overture or settlement offer from the Company with respect to the Settlement Proposal.

On November 13, 2018, Mr. Tropoli emailed Bandera stating that the Board of Directors would need to review the settlement proposal in order for the Company to respond, but they would not be able to respond until later in the week. Mr. Tropoli also indicated that the Company would try to respond by the end of the week, and noted that the Board would need to meet and interview the proposed nominees. Mr. Tropoli further indicated that Bandera had created certain disclosure obligations with the delivery of our settlement proposal and that the Board would hold those against Bandera.

On November 14, 2018, Mr. J. Gramm reached out to the Company and Mr. Pappas through several methods to speak before expiration of the Deadline Extension, including calling the Company and leaving a message with Mr. Pappas's separate business contact. Also on the 14<sup>th</sup>, Mr. J. Gramm left a message with Mr. Bodzy, asking to speak.

On November 15, 2018, Mr. J. Gramm emailed Mr. Tropoli stating that Bandera was disappointed with the Company's lack of substantive response and would therefore be withdrawing its Settlement Proposal.

On November 19, 2018, Mr. Tropoli emailed the Company's formal reply to Bandera's nomination notice.

On November 20, 2018, Mr. J. Gramm left a message at the phone number he believed to be Mr. Mir's line, requesting to speak.

On November 30, 2018, after the Company issued a statement saying the Board was open to constructive ideas regardless of their source, Mr. J. Gramm left messages with Mr. Bodzy's business and director Joe McKinney, requesting to speak.

On December 3, 2018, Mr. Tropoli emailed Mr. J. Gramm regarding possible interviews of two of Bandera's nominees in Houston, Texas.

On December 3, 2018, counsel for Bandera wrote (i) to the General Counsel for the Company regarding communication protocols, and (ii) to outside counsel for the Company regarding the availability of Bandera nominees for interviews as part of a settlement process.

On December 6, 2018, Bandera sent a letter to the Company and its outside counsel requesting certain shareholder list materials pursuant to Section 220 of the Delaware General Corporation Law.

On December 9, 2018, outside counsel for the Company and Bandera spoke about the possibility of interviews and outside counsel for the Company delivered a letter regarding the same. Bandera's counsel made it clear that Bandera was not rejecting the idea of making its nominees available for interview at the appropriate time, as part of a settlement structure, which would allow the Board to fulfill its fiduciary obligations. The Company's counsel stated that the Board was unwilling to engage Bandera in settlement discussions.

On December 9, 2018, outside counsel for the Company delivered a response to Bandera's December 3 letter regarding possible interviews.

On December 11, 2018, Bandera filed its preliminary proxy statement.

On December 12, 2018, the Company filed its preliminary proxy statement.

On December 13, 2018, outside counsel for the Company sent a letter to outside counsel for Bandera stating that the Company would provide Bandera with certain shareholder list materials as requested in Bandera's December 6 letter, conditioned upon the execution of a confidentiality agreement and advance of estimated expenses.

On December 17, 2018, outside counsel for Bandera provided comments to the requested confidentiality agreement.

On December 18, 2018, outside counsel for Bandera requested confirmation on its requested changes to the confidentiality agreement and confirmed that it had sent the requested expenses advance via overnight mail to the Company. Outside counsel for the Company responded that they are not signed-off on the requested changes and still needed to discuss the changes with their client.

On December 18, 2018, the Company filed its revised preliminary proxy statement.

On December 19, 2018, outside counsel for Bandera sought confirmation that the requested changes to the confidentiality agreement were accepted, or engagement to quickly finalize those, if any, open points.

## REASONS FOR THE SOLICITATION

### We Believe The Luby's Board Of Directors Needs Immediate Change

We are long-term shareholders of Luby's, having owned the stock for over a decade. Because the company continues to generate steep operating losses and to deplete the value of its real estate portfolio,<sup>2</sup> while failing to meaningfully reduce overhead costs, we are convinced that immediate change is necessary to prevent further value destruction. We believe that without changes to the Board of Directors, Luby's will continue to underperform, its property holdings will continue to decline, the company will continue to lose money, and shareholders will continue to suffer. For this reason, we are soliciting your support for a slate of qualified Nominees that we believe can bring tremendous value to the company and represent the shareholders' best interests.

### Luby's Shareholder Returns Have Been Disastrous

Luby's Board of Directors has overseen a period of sustained underperformance and massive value destruction. Few market participants have done as poorly as Luby's investors over the past 5 years. Luby's shareholder returns have been negative, significantly trailing the company's peers and the broader indices. The following chart and table of 5-year performance is taken directly from Luby's SEC filings<sup>3</sup>. It depicts Luby's performance through August 2018, when the stock was higher than it is today:

But even those figures do not capture the true pain suffered by long-term Luby's shareholders. Below are the 1-year, 2-year, 3-year, 5-year and 10-year total return figures through November 15th (the date Bandera first disclosed it was nominating directors) for Luby's stock, compared to the S&P 500 Index and what Bandera believes to be the three most comparable restaurant companies included in Luby's peer group in its SEC filings, Cracker Barrel Old Country Store, Inc., Darden Restaurants, Inc., and Denny's Corporation. As you can see, in the five-year period ended November 15th, 2018, Luby's stock lost 83.9% of its value while those peers gained 129.3%.

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<sup>2</sup> The Company has been selling its real estate properties to support its operations. Luby's had 92 restaurants operating in Company-owned buildings on Company-owned land at the end of fiscal year 2014. However, at the conclusion of

fiscal year 2018, the Company disclosed that it now owns the land and buildings for only 77 restaurants, representing a 16% decline. Further, total properties (including excess space on existing lots, discontinued operations and non-operating properties) declined from 108 at the end of FY 2014 to 85 at the end of FY 2018. The Company has also publicly disclosed it intends to sell additional properties. In July 2018, the Company expanded its asset sale program of selling owned properties to a \$45 million target. Source: the Company's Annual Reports on Form 10K filed with the SEC on November 12, 2014 and November 16, 2018 and Luby's Fourth Quarter 2018 earnings release dated November 12, 2018.

<sup>3</sup> This chart was prepared using the Company's performance statistics as disclosed in the Company's Annual Reports on Form 10K filed with the SEC from 2013 through 2018. The metrics are computed by dividing the shareholders equity (book value) by shares outstanding as reported on the cover page of each Annual Report.

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While Luby's Book Value Declines, its Overhead Costs Have not Abated

While Luby's management has closed restaurants, sold real estate and watched over a dramatic decline in share prices and book value per share, corporate overhead costs remain high. Book value per share has shrunk 39% since FY 2013, from \$6.26 to \$3.81, while general and administrative costs have increased:

The following figures from the company's SEC filings speak for themselves:

- Luby's Net Income FY 2013 through FY 2018: NEGATIVE \$70 million
- Luby's Operating Income FY 2013 through FY 2018: NEGATIVE \$41 million

Over this same period, when the number of total Luby's restaurant locations shrank from 294 to 246, corporate overhead (General and Administrative Costs) GREW from \$33 million in FY 2013 to \$35 million in FY 2018.

Board compensation over this same period from FY 2013 to FY 2018 was a sobering \$5.6 million, over 12% of the current market capitalization of the Company.

## LUBY'S NEEDS BETTER OVERSIGHT

We firmly believe that Luby's needs to be run in an efficient, cost-effective manner with shareholder value in mind. Our slate of experienced nominees will review all options to increase shareholder value. If elected, our nominees will use all available information to determine what courses of action are best for the Company's shareholders, and bring fresh insight and ideas to the Board. Because we will be a mathematical minority on the Board even if all of our Nominees are elected, we will not have unilateral power to bring change to the Company. We remain hopeful that holdover directors will embrace our new ideas.

## OUR FOUR INDEPENDENT NOMINEES HAVE THE EXPERIENCE AND QUALIFICATIONS NECESSARY TO FULLY EXPLORE AVAILABLE OPPORTUNITIES TO UNLOCK VALUE FOR STOCKHOLDERS AND ARE COMMITTED TO HOLDING MANAGEMENT ACCOUNTABLE FOR THE COMPANY'S PERFORMANCE

We have identified four highly-qualified, independent directors with relevant business and financial experience who we believe will bring a fresh perspective to the Board and would be valuable in assessing and executing on initiatives to unlock value at the Company. Further, our nominees would be committed to holding management accountable for the Company's performance. Bandera has decided to solicit proxies for four of its original six nominees so that shareholders could refresh the Board without implicating a change in Board control issue.

Jefferson Gramm has experience in retail and in chain food industries as well as financial and governance expertise. Mr. J. Gramm currently serves as a portfolio manager at Bandera Partners, a value-oriented investment partnership. Mr. Gramm has been in his present position with Bandera since 2006. Mr. J. Gramm is Chairman of the Board of Tandy Leather Factory (NASDAQ: TLF), where he has been a Director since February 2014. He also currently serves on the board of Rubicon Technology, Inc. (NASDAQ: RBCN), which he joined in November 2017. His prior experience includes serving as Managing Director of Arklow Capital, LLC, a hedge fund manager focused on distressed and value investments. He was previously a Director of Ambassadors Group Inc., Morgan's Foods Inc. and Peerless Systems Corp.

Senator William Philip Gramm has significant real estate, financial and banking, as well as regulatory experience. Senator Gramm is the current Vice Chairman of Lone Star Global Acquisitions ("Lone Star"), a Texas-based private equity firm that invests primarily in real estate, as well as equity, credit and other financial assets. Senator Gramm joined Lone Star in December of 2012. Prior to Lone Star, Senator Gramm served as Vice Chairman of UBS Investment Bank, where he provided senior leadership for landmark IPOs, such as Visa, the Bank of China, the China Merchants Bank and LGPhillips in Korea. Senator Gramm served for six years in the US House of Representatives and eighteen years in the US Senate.

Stacy Hock has extensive governance and management experience in the software industry. Ms. Hock currently serves as Chair of the Board of Texans for Education Opportunity, where she joined the Board of Directors in April of 2015 and was appointed Chair in May of 2016. Ms. Hock also currently serves on the boards of the Aminex Therapeutics, which she joined in June 2015, the Blanton Museum of Art, which she joined in March 2016, and The African Dream Initiative, which she joined in January 2013. Ms. Hock is a gubernatorial appointee as the Vice Chair of the Texas Commission on Next Generation Assessment and Accountability. Ms. Hock also serves on Lt. Governor Patrick's Education Advisory Council and on TEA Commissioner Morath's Philanthropic Council, each since May 2016. Ms. Hock has also held senior management positions in the software industry, including running IBM's WebSphere Software Services business for the Wall Street territory.

Savneet Singh is an entrepreneur and investor in software companies. Mr. Singh is the current Managing Partner of Tera Holdings, Inc., a holding company of niche software businesses that he co-founded. Mr. Singh has also been a partner and a director of CoVenture, LLC, a venture capital firm. In 2009, Mr. Singh founded Gold Bullion International, LLC (GBI), an electronic platform that allows investors to buy, trade and store physical precious metals. During his tenure at GBI, Mr. Singh served as GBI's Chief Operating Officer, its Chief Executive Officer, and its President. Mr. Singh joined the board of directors of PAR Technology Corporation (NYSE: PAR) in April 2018 and was appointed interim CEO in December 2018. Mr. Singh also serves on the board of directors of Blockchain Power Trust (TSXV:BPWR.UN; TEP.DB), which he joined in December 2017.

PROPOSAL NO.1

ELECTION OF DIRECTORS

We are seeking your support at the Annual Meeting to elect our four independent Nominees and to grant authority to vote for the Company's nominees other than [ ], [ ], [ ] and [ ]. The Nominees are all highly accomplished, and independent of the Company. Your vote to elect the Nominees will have the legal effect of replacing to up four incumbent directors with the Nominees. The Board is currently composed of nine directors, each with terms expiring at the Annual Meeting. Accordingly, the enclosed GOLD proxy card may only be voted for our Nominees and to grant authority to vote for the Company's nominees other than [ ]. If all of our Nominees are elected, such Nominees will represent a minority of the members of the Board and there can be no assurance that any actions or changes proposed by our Nominees will be adopted or supported by the full Board. There is no assurance that any of the candidates who have been nominated by the Company will serve as directors if our Nominees are elected. Bandera believes that any attempt to increase or decrease the size of the current Board or the number of directors up for election at the Annual Meeting would constitute an improper manipulation of the Company's corporate machinery. Bandera calls on the Company to provide greater detail on the mystery nominee it has already decided to appoint to the Board, and explain in detail why shareholders are not allowed to vote on that mystery nominee.

Our Nominees:

Jefferson Gramm, 43, is a portfolio manager at Bandera Partners, a value-oriented investment partnership. Mr. Gramm has been in his present position with Bandera since 2006. Mr. J. Gramm is Chairman of the Board of Tandy Leather Factory (NASDAQ: TLF), where he has been a Director since February 2014. He also currently serves on the board of Rubicon Technology, Inc. (NASDAQ: RBCN), which he joined in November 2017. His prior experience includes serving as Managing Director of Arklow Capital, LLC, a hedge fund manager focused on distressed and value investments, from October 2004 to July 2006. He was previously a Director of Ambassadors Group Inc. from May 2014 to October 2015, Morgan's Foods Inc., from April 2013 to March 2014 and Peerless Systems Corp., from June 2009 to November 2010. He received an M.B.A. from Columbia University in 2003 and a B.A. in Philosophy from University of Chicago in 1996. The Nominating Stockholder believes that Mr. Gramm's experience in retail and chain food industries as well as his financial and governance expertise would make him a beneficial addition to the Board. We believe that Mr. J. Gramm's experience in retail and chain food industries as well as his financial and governance expertise would make him a beneficial addition to the Board.

Senator William Philip Gramm, 76, is the Vice Chairman of Lone Star Global Acquisitions ("Lone Star"), a Texas-based private equity firm that invests primarily in real estate, as well as equity, credit and other financial assets. Senator Gramm joined Lone Star in December of 2012. Prior to Lone Star, Senator Gramm served as Vice Chairman of UBS Investment Bank from December 2002 to December 2011, where he provided senior leadership for landmark IPOs, such as Visa, the Bank of China, the China Merchants Bank and LGPhillips in Korea. Senator Gramm served six years in the US House of Representatives and eighteen years in the US Senate. As Chairman of the Banking Committee, Senator Gramm steered through legislation modernizing banking, insurance and securities law, which had been languishing in Congress for 60 years. Senator Gramm is a Visiting Scholar at the American Enterprise Institute. Senator Gramm holds a Ph.D. in economics from the University of Georgia.

We believe that Senator Gramm's significant real estate, financial and banking, as well as regulatory experience would make him an excellent addition to the Board.

Stacy Hock, 41, is a philanthropist, public policy activist, and business owner. She currently serves as Chair of the Board of Texans for Education Opportunity, a statewide organization promoting educational advocacy, where she joined the Board of Directors in April of 2015 and was appointed Chair in May of 2016. Ms. Hock also currently serves on the boards of the Aminex Therapeutics, a drug development company focused on advancing novel treatments for cancer, which she joined in June 2015, the Blanton Museum of Art, the art museum at the University of Texas, which she joined in March 2016, and The African Dream Initiative, an educational nonprofit focused on children in East Africa, which she joined in January 2013. Ms. Hock is a gubernatorial appointee, serving since January 2016 as Vice Chair of the Texas Commission on Next Generation Assessment and Accountability, a commission to develop and make recommendations for new systems of student assessment and public school accountability. Ms. Hock also serves on Lt. Governor Patrick's Education Advisory Council, which is focused on educational opportunities in Texas, and on TEA Commissioner Morath's Philanthropic Council, which is focused on philanthropic opportunities in Texas, each since May 2016. Previously, Ms. Hock served on the boards of City

Harvest, a food rescue nonprofit, from April 2010 to June 2015, and The Bowery Mission in New York City, a rescue mission and men's shelter in New York City, from September 2009 to January 2015. Ms. Hock worked at IBM from May 2001 to February 2008, where she was a senior development manager in the Software Group. From May 2006 until February 2008 she ran IBM's Websphere Software Services business for the Wall Street territory. Ms. Hock received her B.S. in Computer Science and Electrical Engineering from M.I.T., and her M.B.A. from the University of Texas. The Nominating Stockholder believes that Ms. Hock's extensive governance experience, management experience in the software industry, as well as her financial expertise would make her a beneficial addition to the Board.

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We believe that Ms. Hock's extensive governance experience, management experience in the software industry, as well as her financial expertise would make her a beneficial addition to the Board.

Savneet Singh, 35, Mr. Singh is currently a partner and a director of CoVenture, LLC, a venture capital firm, Mr. Singh has held this position since May 2018. Prior to CoVenture, Mr. Singh served as the Managing Partner of Tera Holdings, Inc., a holding company of niche software businesses that he co-founded from June 2017 to May 2018. In 2009, Mr. Singh founded Gold Bullion International, LLC (GBI), an electronic platform that allows investors to buy, trade and store physical precious metals. During his tenure at GBI, from September 2009 to January 2017, Mr. Singh served as GBI's Chief Operating Officer, its Chief Executive Officer, and its President. Mr. Singh joined the board of directors of PAR Technology Corporation (NYSE: PAR) in April 2018 and was appointed interim CEO in December 2018. Mr. Singh also serves on the board of directors of Blockchain Power Trust (TSXV:BPWR.UN; TEP.DB), which he joined in December 2017. Mr. Singh serves on the boards of directors of Produce Pay, Inc. and EcoLogic Solutions, Inc. The Nominating Stockholder believes that as an entrepreneur and investor in software companies, Mr. Singh will bring a unique insight and a strategic perspective to the Board.

We believe that Mr. Singh's experience as an entrepreneur and investor in software companies will bring a unique insight and a strategic perspective to the Board.

The principal business address of Mr. J. Gramm is c/o Bandera Partners LLC, 50 Broad Street, #1820, New York, NY 10004. The principal business address of Senator Gramm is c/o Lone Star Global Acquisitions, 2711 N. Haskell Avenue, Suite 1700, Dallas, TX 75204. The principal business address of Ms. Hock is 1919 Congress Ave., 15th Floor, Austin, TX 78701. The principal business address of Mr. Singh is c/o CoVenture, 740 Broadway, Suite 702, New York, NY 10003. Each of the Nominees is a citizen of the United States of America.

As described more fully in the "ADDITIONAL PARTICIPANT INFORMATION" section below, as of the date hereof, by virtue of his positions as Managing Partner, Managing Director and Portfolio Manager of the Master Fund, Mr. J. Gramm may be deemed to beneficially own 2,911,000 shares of Common Stock, consisting of (i) the 2,901,000 shares of Common Stock beneficially owned by the Master Fund and (ii) the 10,000 shares of Common Stock held directly by Mr. J. Gramm. For information regarding transactions during the past two years by Mr. J. Gramm in securities of the Company that he may be deemed to beneficially own, see Schedule I. As of the date hereof, none of the other Nominees own any shares of Common Stock.

Other than as stated herein, there are no arrangements or understandings between members of Bandera or any other person or persons pursuant to which the nomination of the Nominees described herein is to be made, other than the consent by each of the Nominees to be named in this Proxy Statement and to serve as a director of the Company if elected as such at the Annual Meeting. None of our Nominees are a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries in any material pending legal proceedings.

Bandera believes that each Nominee presently is, and if elected as a director of the Company, each of the Nominees would be, an "independent director" within the meaning of (i) applicable NYSE listing standards applicable to board composition and (ii) Section 301 of the Sarbanes-Oxley Act of 2002. It is in this context that Bandera uses the word "independent" in describing its nominees.

We do not expect that the Nominees will be unable to stand for election, but, in the event any Nominee is unable to serve or for good cause will not serve, the shares of Common Stock represented by the enclosed GOLD proxy card will be voted for substitute nominee(s), to the extent this is not prohibited under the Company's bylaws and applicable law. In addition, we reserve the right to nominate substitute person(s) if the Company makes or announces any changes to its bylaws or takes or announces any other action that has, or if consummated would have, the effect of disqualifying any Nominee, to the extent this is not prohibited under the Company's bylaws and applicable law. In any such case, we would identify and properly nominate such substitute nominee(s) in accordance with the Company's bylaws and shares of Common Stock represented by the enclosed GOLD proxy card will be voted for such substitute nominee(s). We reserve the right to nominate additional person(s), to the extent this is not prohibited under the Company's bylaws and applicable law, if the Company increases the size of the Board above its existing size or increases the number of directors whose terms expire at the Annual Meeting. Additional nominations made pursuant to the preceding sentence are without prejudice to the position of Bandera that any attempt to increase the size of the current Board or to classify the Board constitutes an unlawful manipulation of the Company's corporate machinery. Bandera reserves its rights with respect to the Company's unidentified nominee apparently to be appointed to the

Board at a later date without a shareholder vote.

Please see the Company's proxy statement for further information and background on the Company's nominees.

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**Required Vote**

A majority of the votes cast by the shares present in person or represented by proxy at the Annual Meeting and entitled to vote in the election of directors at the Annual Meeting is required for the election of a director nominee. Shareholders do not have cumulative voting rights. Abstentions and broker non-votes, if any, will have no effect on the result of this vote.

WE URGE YOU TO VOTE FOR THE ELECTION OF THE NOMINEES AND TO GRANT AUTHORITY TO VOTE FOR THE COMPANY'S NOMINEES OTHER THAN [ ] ON THE ENCLOSED GOLD PROXY CARD. WE INTEND TO VOTE OUR SHARES FOR THE ELECTION OF THE NOMINEES AND FOR THE COMPANY'S NOMINEES OTHER THAN [ ]. SHARES OF STOCK REPRESENTED BY PROPERLY EXECUTED GOLD PROXY CARDS WILL BE VOTED AT THE ANNUAL MEETING AS MARKED AND, IN THE ABSENCE OF SPECIFIC INSTRUCTIONS, "FOR" THE NOMINEES AND FOR THE COMPANY'S NOMINEES OTHER THAN [ ].

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PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

As discussed in further detail in the Company's proxy statement, the Board has appointed Grant Thornton LLP to audit the accounts of the Company for fiscal year 2019.

Required Vote

Ratification of the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm requires the affirmative vote of a majority of the votes cast by the shares present in person or represented by proxy and entitled to vote on the matter. Abstentions and broker non-votes, if any, will have no effect on the result of this vote.

WE MAKE NO RECOMMENDATION WITH RESPECT TO THIS PROPOSAL AND INTEND TO VOTE OUR SHARES "FOR" THIS PROPOSAL.

SHARES OF COMMON STOCK REPRESENTED BY PROPERLY EXECUTED GOLD PROXY CARDS WILL BE VOTED AT THE ANNUAL MEETING AS MARKED AND, IN THE ABSENCE OF SPECIFIC INSTRUCTIONS, "FOR" WITH RESPECT TO THE APPROVAL OF THIS PROPOSAL

PROPOSAL NO. 3

ADVISORY VOTE ON THE COMPENSATION OF NAMED EXECUTIVE OFFICERS

As discussed in further detail in the Company's proxy statement and pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, stockholders are being asked to approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K in the Compensation, Discussion and Analysis, the Summary Compensation Table and the related tables, notes, and the narrative in the Company's proxy statement.

Specifically, the Company is asking stockholders to vote for the following resolution:

"RESOLVED, that the shareholders approve, on an advisory basis, the compensation paid to the Company's Named Executive Officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including disclosure under "Executive Compensation," "Compensation Tables and Information," and the related narrative discussion.

Required Vote

Approval of the compensation of the Compa