NUVASIVE INC
Form 10-Q
May 01, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number: 000-50744

NUVASIVE, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	33-0768598 (I.R.S. Employer Identification No.)

7475 Lusk Boulevard,
San Diego, CA 92121
(Address of principal executive offices)
Registrant's telephone number, including area code:
(858) 909-1800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period than the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES þ NO ¨

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

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO þ

As of April 19, 2013, there were 44,229,836 shares of the registrant's common stock issued and outstanding.

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NuVasive, Inc.
Quarterly Report on Form 10-Q
March 31, 2013

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
NUVASIVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par values)

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$78,472	$123,299
Short-term marketable securities	121,897	138,405
Accounts receivable, net	90,410	88,958
Inventory	129,583	126,335
Deferred tax assets, current	31,136	28,236
Prepaid expenses and other current assets	9,078	8,516
Total current assets	460,576	513,749
Property and equipment, net	122,897	125,123
Long-term marketable securities	80,829	84,412
Intangible assets, net	101,992	101,362
Goodwill	154,056	154,106
Deferred tax assets	37,676	40,575
Restricted cash and investments	119,046	118,995
Other assets	24,380	25,463
Total assets	$1,101,452	$1,163,785
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$72,227	$62,048
Accrued payroll and related expenses	20,952	27,916
Litigation liability	7,500	—
Senior Convertible Notes, current	—	74,311
Total current liabilities	100,679	164,275
Senior Convertible Notes	335,726	332,404
Deferred tax liabilities	3,123	3,129
Litigation liability	93,700	101,200
Other long-term liabilities	15,056	15,199
Commitments and contingencies		
Noncontrolling interests	9,748	10,003
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000 shares authorized, none outstanding	—	—
Common stock, $0.001 par value; 120,000 shares authorized at March 31, 2013 and December 31, 2012, respectively, 44,207 and 43,686 issued and outstanding at March 31, 2013 and December 31, 2012, respectively	44	44
Additional paid-in capital	721,688	714,865
Accumulated other comprehensive (loss) income	(1,043)	786
Accumulated deficit	(177,269)	(178,120)

Total stockholders’ equity	543,420	537,575
Total liabilities and stockholders’ equity	$1,101,452	$1,163,785

See accompanying notes to unaudited condensed consolidated financial statements.

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NUVASIVE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2013	2012
Revenue	$159,504	$151,691
Cost of goods sold (excluding amortization of purchased technology)	39,096	36,933
Gross profit	120,408	114,758
Operating expenses:		
Sales, marketing and administrative	99,886	94,678
Research and development	9,694	9,988
Amortization of intangible assets	4,376	2,846
Total operating expenses	113,956	107,512
Interest and other expense, net:		
Interest income	172	208
Interest expense	(7,032)	(6,825)
Other income, net	240	437
Total interest and other expense, net	(6,620)	(6,180)
(Loss) income before income taxes	(168)	1,066
Income tax (benefit) expense	(764)	597
Consolidated net income	$596	$469
Net loss attributable to noncontrolling interests	$(255)	$(204)
Net income attributable to NuVasive, Inc.	$851	$673
Net income per share attributable to NuVasive, Inc.:		
Basic and diluted	$0.02	$0.02
Weighted average shares outstanding:		
Basic	44,025	42,844
Diluted	45,316	43,397

See accompanying notes to unaudited condensed consolidated financial statements.

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NUVASIVE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)

	Three Months Ended March 31,						
	2013			2012			
Consolidated net income	$596			$469			
Other comprehensive (loss) income :							
Unrealized loss on marketable securities, net of tax			$35,000		$13,140		$48,140
Katherine L. Scherping		$37,500		$25,590		$63,090	
Alexander C. Matina		$0		$17,730		$17,730	
Noah A. Elbogen		$0		$17,730		$17,730	
Yoo Jin Kim[(2)]		—		—		—	
Benjamin Hochberg[(2)]		—		—		—	

(1) The dollar amounts reflect the grant date fair value of restricted stock awards granted in 2017, calculated pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic No. 718 (“FASB ASC Topic 718”). The assumptions made in determining the grant date fair values and other stock-based compensation information are disclosed in Note 13 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended January 1, 2018. As of January 1, 2018, the total number of shares of unvested restricted stock held by each non-employee director was as follows: Mr. Shafer, 6,772; Mr. Mounts, 3,000; Mr. Weisberg, 3,000; Mr. Welch, 0; Ms. Scherping, 6,000; Mr. Matina, 3,000; and Mr. Elbogen, 3,000.

(2) As employees of Lee Equity, Mr. Kim and Mr. Hochberg did not receive any compensation with respect to their service on our Board of Directors during 2017, other than expense reimbursement.

Compensation Committee Interlocks and Insider Participation

None of the current members of our Compensation Committee is or has been an officer or employee of the Company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee, or other board committee performing equivalent functions, of any entity that has one or more executive officers serving on our Compensation Committee or our Board. We have had a Compensation Committee since May 1, 2014. Prior to establishing the Compensation Committee, our full Board made decisions relating to the compensation of our executive officers.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

Our Board is composed of ten (10) members and is divided into three (3) classes with staggered three-year terms. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring. At the Annual Meeting, four (4) Class I directors will be elected for a three-year term to succeed the four members of the same class whose term is then expiring. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Each director’s term continues until the election and qualification of the director’s successor, or the director’s earlier death, resignation, or removal. Any increase or decrease in the number of directors will be distributed among the three (3) classes so that, as nearly as possible, each class will consist of one-third (1/3) of our directors. This classification of our Board of Directors may have the effect of delaying or preventing changes in control of the Company.

Nominees

Our Nominating and Corporate Governance Committee has recommended, and our Board has approved, Jean M. Birch, Rob Weisberg, Alexander C. Matina and Noah A. Elbogen as nominees for election as Class I directors at the Annual Meeting. If elected, each of Jean M. Birch, Rob Weisberg, Alexander C. Matina and Noah A. Elbogen will serve as a Class I director until the 2021 annual meeting of stockholders or until his or her successor is duly elected and qualified. For information concerning the nominees, please see the section entitled “Board of Directors and Corporate Governance.”

If you are a stockholder of record and you sign your proxy card or vote over the Internet or by telephone but do not give instructions with respect to the voting of directors, your shares will be voted “**FOR**” the election of Jean M. Birch, Rob Weisberg, Alexander C. Matina and Noah A. Elbogen. We expect that Jean M. Birch, Rob Weisberg, Alexander C. Matina and Noah A. Elbogen will each accept his or her nomination to the Board; however, if a director nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by our Board to fill the vacancy. If you are a beneficial owner of shares of our Common Stock and you do not give voting instructions to your broker, bank or other nominee, then your broker, bank or other nominee will not vote your shares on this matter.

Vote Required

The election of Class I directors requires a plurality vote of the shares of our Common Stock present in person, through online participation or by proxy at the Annual Meeting and entitled to vote thereon to be approved. However, if any nominee for election as a Class I director does not receive a majority of the votes cast in the election, that director is required to tender his or her resignation, subject to the Board's right to reject such resignation. Broker non-votes will have no effect on this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE FOUR
DIRECTORS NOMINATED BY OUR BOARD OF DIRECTORS AND NAMED IN
THIS PROXY STATEMENT AS A CLASS I DIRECTOR TO SERVE FOR A THREE-YEAR TERM.

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AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors consists of four directors, all of whom are considered independent under applicable SEC and Nasdaq Stock Market rules. The Audit Committee operates under a written charter. The primary purpose of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board of Directors. The Audit Committee annually appoints the Company's independent registered public accounting firm.

Management is responsible for preparing the Company's consolidated financial statements, including the system of internal controls, and for the preparation, presentation and integrity of the consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee has:

- reviewed and discussed the audited consolidated financial statements with management and the independent registered public accounting firm;
- discussed with the independent registered public accounting firm the matters required to be discussed under the standards of the Public Company Accounting Oversight Board;
- received the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with Moss Adams LLP its independence; and
- discussed with Moss Adams LLP that the provision of non-audit services was compatible with Moss Adams LLP maintaining its independence.

Based on the above discussions and review with management and the independent registered public accounting firm, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended January 1, 2018 for filing with the SEC.

Respectfully submitted by the Audit Committee of the Board of Directors.

AUDIT COMMITTEE

Katherine L. Scherping, Chair

L. David Mounts
John Shafer
Noah A. Elbogen
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PROPOSAL NO. 2
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our Audit Committee has appointed Moss Adams LLP, or Moss Adams, as our independent registered public accounting firm to audit our consolidated financial statements for our fiscal year ending December 31, 2018. Moss Adams also served as our independent registered public accounting firm for our fiscal year ended January 1, 2018.

At the Annual Meeting, stockholders are being asked to ratify the appointment of Moss Adams as our independent registered public accounting firm for our fiscal year ending December 31, 2018. Stockholder ratification of the appointment of Moss Adams is not required by our Bylaws or other applicable legal requirements. However, our Board is submitting the appointment of Moss Adams to our stockholders for ratification as a matter of good corporate governance. If this appointment is not ratified by the affirmative vote of a majority of the shares present in person (through online participation) or by proxy at the Annual Meeting and entitled to vote, the appointment will be reconsidered by our Audit Committee. Even if the appointment is ratified, our Audit Committee, in its sole discretion, may appoint another independent registered public accounting firm at any time during our fiscal year ending December 31, 2018 if our Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. A representative of Moss Adams is expected to be present at the Annual Meeting, will have an opportunity to make a statement if he or she wishes to do so, and is expected to be available to respond to appropriate questions from stockholders.

Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees for professional audit services and other services rendered to us by Moss Adams for our fiscal years ended January 1, 2018 and January 2, 2017.

	2017	**2016**
Audit Fees(1)	$ 277,000	$ 267,500
Audit-Related Fees(2)	42,100	$ —
Tax Fees(3)	36,000	—
All Other Fees(4)	$ —	$ 3,500
	$ 355,100	$ 271,000

(1)

“Audit Fees” consist of fees billed for professional services rendered in connection with the audit of our annual financial statements, review of our quarterly financial statements, and services that are normally provided by Moss Adams in connection with statutory and regulatory filings or engagements for those fiscal years.

(2) “Audit-Related Fees” consist of fees billed for professional services for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under “Audit Fees.” Audit-Related Fees include fees billed for profession services rendered in connection with additional audit work performed related to implementation of the new accounting standards, ASC Topic 606 (Revenue) and ASC Topic 842 (Leases) and the restatement of historical financial statements required by those standards.

(3) “Tax Fees” consist of fees billed for professional services rendered by Moss Adams for tax compliance, tax advice and tax planning.

(4) “All Other Fees” consist of fees paid in connection with Moss Adams’ review of the Company’s Franchise Disclosure Document.

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Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Our Audit Committee has established a policy governing our use of the services of our independent registered public accounting firm. Under the policy, our Audit Committee is authorized and directed to consider and, in its discretion, approve in advance any services (including the fees and material terms thereof) proposed to be carried out for the Company by the independent auditor or by any other firm proposed to be engaged by the Company as its independent auditor. In connection with approval of any permissible tax services and services related to internal control over financial reporting, the Audit Committee discusses with the independent auditor the potential effects of the services on the independence of the auditor. All fees paid to Moss Adams since our IPO, effective May 1, 2014, were pre-approved by our Audit Committee.

Vote Required

The ratification of the appointment of Moss Adams requires the affirmative vote of a majority of the shares of our Common Stock present in person (through online participation) or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions will have the effect of a vote “**AGAINST**” the proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF
MOSS ADAMS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR OUR FISCAL YEAR
ENDING DECEMBER 31, 2018.

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EXECUTIVE OFFICERS

Executive Officers

The following table sets forth certain information with respect to the executive officers of the Company as of April 4, 2018.

Name	**Age**	**Position**
Weldon Spangler	53	President and Chief Executive Officer, Director
Mark Hutchens	52	Executive Vice President, Chief Operating Officer and Chief Financial Officer
Victoria J. Tullett	50	Chief Legal Officer

See “Board of Directors and Corporate Governance—Continuing Directors” for information about Weldon Spangler, who became both a director and executive officer of the Company in 2017.

Mark Hutchens has served as our Executive Vice President, Chief Operating Officer and Chief Financial Officer since September 2017. Prior to his appointment as Executive Vice President, Chief Operating Officer and Chief Financial Officer, Mr. Hutchens had served as our Chief Financial Officer since January 2014. Previously, Mr. Hutchens served as the Vice President, Chief Financial Officer – International, for Bloomin’ Brands, Inc., a public company, from October 2012 to January 2014, where his responsibilities included finance, business development and supply chain management activities for Outback Steakhouse International. Prior to that, Mr. Hutchens served in various roles of increasing responsibility at Office Depot, Inc., including Senior Vice President, Controller and Chief Accounting Officer from September 2008 to March 2012 and Senior Vice President Finance, International Division from November 2006 to September 2008. From 1996 to 2006, Mr. Hutchens worked with YUM! Brands, Inc., where his most recent title was Assistant Treasurer – Corporate Finance. From 1989 to 1996, Mr. Hutchens worked at Ford Motor Company.

Victoria J. Tullett has been with Papa Murphy’s for 17 years and has served as our Chief Legal Officer since November 2012. From November 2012 through September 2016, Ms. Tullett also served as Senior Vice President of Talent. Ms. Tullett previously served as Senior Vice President and General Counsel from February 2007 to November 2012.

EXECUTIVE COMPENSATION

2017 Summary Compensation Table

The following table provides information regarding the total compensation for services rendered in all capacities that was earned by each of our named executive officers ("NEOs") during fiscal years 2017, which ended January 1, 2018, and 2016, which ended January 2, 2017.

Name and Principal Position	Year	Salary ($)	**Stock Awards[1] ($)**	**Option Awards[2] ($)**	**Non-Equity Incentive Plan Compensation[3] ($)**	**All Other Compensation($)**	Total ($)
Weldon Spangler[4]	2017	229,769	-	325,001	-	138,454[5]	693,224
Chief Executive Officer	2016	-	-	-	-	-	-
Jean M. Birch[6]	2017	310,981	13,140	24,660	-	102,536[7]	451,317
Interim Chief Executive Officer	2016	5,942	43,050	-	-	50,000[7]	98,992
Mark Hutchens	2017	360,500	37,582	285,118	17,029	8,303[8]	708,532
Chief Financial Officer	2016	360,500	-	85,595	16,824	14,830	477,749
Victoria J. Tullett	2017	262,800	-	50,184	12,414	11,367[9]	336,765
Chief Legal Officer	2016	256,446	-	56,893	11,577	16,456	341,372

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(1) The amounts reported in the Stock Awards column reflect the grant date fair value of restricted stock awards granted during the fiscal year for such person, calculated pursuant to FASB ASC Topic 718. The assumptions made in determining the grant date fair values and other stock-based compensation information are disclosed in Note 13 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended January 1, 2018. The Stock Awards granted to Jean M. Birch reflect compensation for her service on the Board of Directors. As of January 1, 2018, Ms. Birch held 3,000 shares of unvested restricted stock.

(2) The amounts reported in the Option Awards column do not reflect compensation actually received by the NEOs, but instead represent the grant date fair value of all option awards granted during the year for such person, calculated pursuant to FASB ASC Topic 718. The assumptions made in determining the grant date fair values and other stock-based compensation information are disclosed in Note 13 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended January 1, 2018.

(3) Amounts reported in the Non-Equity Incentive Plan Compensation column were paid based on the Company's achievement of certain financial and operating metrics, including targets with respect to the Company's (i) net income (loss) before interest expense, provision for (benefit from) income taxes and depreciation and amortization ("EBITDA"), (ii) refranchising, (iii) and SG&A management.

(4) Mr. Spangler was appointed to his position as Chief Executive Officer and President of the Company effective July 17, 2017.

(5) Consists of a signing bonus in the amount of $118,490, relocation assistance in the amount of $19,619, accidental death and dismemberment insurance premiums and long-term disability insurance premiums received by all employees.

(6) Ms. Birch resigned her position as interim Chief Executive Officer and President effective July 17, 2017.

(7) Consists of relocation assistance in the amount of $42,436, long-term disability and fees paid for service on the Board of Directors in the amount of $60,000.

(8) Consists of 401(k) matching contributions in the amount of $7,337, accidental death and dismemberment insurance premiums and long-term disability insurance premiums received by all employees.

(9) Consists of 401(k) matching contributions in the amount of $10,401, accidental death and dismemberment insurance premiums and long-term disability insurance premiums received by all employees.

Employment Agreements

We have entered into an employment agreement with each of Weldon Spangler, our Chief Executive Officer and President, Mark Hutchens, our Executive Vice President, Chief Operating Officer and Chief Financial Officer, and Victoria J. Tullett, our Chief Legal Officer. Pursuant to the terms of their employment agreements, each of Mr. Spangler, Mr. Hutchens and Ms. Tullett receives a specified annual base salary, is eligible to receive an annual bonus and is entitled to participate in a benefits plan. Our Board approved each of these agreements.

Weldon Spangler

Pursuant to the terms of his employment agreement, dated as of August 10, 2017, Mr. Spangler is entitled to an annual base salary of $515,000, which is reviewed and may be increased by the Board on an annual basis. Mr. Spangler is eligible to receive an annual bonus of at least 75% of his base salary and equity-based compensation awards as determined by the Compensation Committee of the Board from time to time. Mr. Spangler is also eligible to participate in any benefit plans that are generally made available to our other senior executives.

Mr. Spangler may terminate his employment at any time upon 60 days prior written notice to us for any reason or on 31 days prior written notice to us for good reason. We may terminate Mr. Spangler's employment at any time with or without cause upon 90 days prior written notice. Mr. Spangler's employment will automatically terminate upon his death or the Board's determination of his total disability.

If Mr. Spangler is terminated due to total disability or death, he or his legal representatives will be entitled to (i) an amount equal to his base salary payable through the date of termination, (ii) a pro rata portion of his annual bonus, if any, for the applicable period of the year for which he was employed and (iii) any accrued and unpaid vacation pay or other benefits he may be owed. If Mr. Spangler is terminated without cause or he terminates his employment for good reason, he is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) base salary through the one-year anniversary of the termination date, (iii) a pro rata portion of his annual bonus for the applicable period of the calendar year for which he was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time, (vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed. If Mr. Spangler is terminated for cause, terminates his employment without good reason or his employment terminates due to nonrenewal of his agreement, he will only be entitled to his base salary through the termination date and any accrued and unpaid vacation pay or other benefits owed.

If Mr. Spangler is terminated in connection with a change of control of the Company, or is terminated without cause or terminates his employment for good reason within one year after a change of control of the Company, he is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) an amount equal to the sum of his base salary and his target annual bonus for the year of termination, (iii) a pro rata portion of his target annual bonus for the applicable period of the calendar year for which he was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time, (vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed.

Mr. Spangler's employment agreement contains non-competition and non-solicitation of customers and employees provisions for the period of his employment and for one year thereafter, as well as confidentiality and proprietary rights provisions. Mr. Spangler's employment agreement is effective for an initial period ending April 1, 2019, and is automatically extended for additional 12 month periods thereafter, unless written notice is given by Mr. Spangler or by us not less than 90 days prior to the end of the then-current employment period.

Jean M. Birch

Ms. Birch served as our interim Chief Executive Officer between December 29, 2016 and July 17, 2017. As our interim Chief Executive Officer, Ms. Birch was entitled to receive a monthly base salary of $42,917 and quarterly grants of stock options to purchase 9,000 shares of the Company's Common Stock for each of the first two quarters of fiscal year 2017. Ms. Birch also continued to receive compensation with respect to her service as a director and Chair of the Board, consisting of a base annual retainer of $60,000, paid in cash on a quarterly basis, and an award of 3,000 shares of restricted stock.

Mark Hutchens

Pursuant to the terms of his amended and restated employment agreement, dated as of July 27, 2016, Mr. Hutchens is entitled to an annual base salary of $360,500, which is reviewed and may be increased by the Board on an annual basis. Mr. Hutchens is eligible to receive an annual bonus of at least 60% of his base salary and equity-based compensation awards as determined by the Compensation Committee of the Board from time to time. Mr. Hutchens is also eligible to participate in any benefit plans that are generally made available to our other senior executives.

Mr. Hutchens may terminate his employment at any time upon 60 days prior written notice to us for any reason or on 31 days prior written notice to us for good reason. We may terminate Mr. Hutchens' employment at any time with or without cause upon 90 days prior written notice. Mr. Hutchens' employment will automatically terminate upon his death or the Board's determination of his total disability.

If Mr. Hutchens is terminated due to total disability or death, he or his legal representatives will be entitled to (i) an amount equal to his base salary payable through the date of termination, (ii) a pro rata portion of his annual bonus, if any, for the applicable period of the year for which he was employed and (iii) any accrued and unpaid vacation pay or other benefits he may be owed. If Mr. Hutchens is terminated without cause or he terminates his employment for good reason, he is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) base salary through the one-year anniversary of the termination date, (iii) a pro rata portion of his annual bonus for the applicable period of the calendar year for which he was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time, (vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed. If Mr. Hutchens is terminated for cause, terminates his employment without good reason or his employment terminates due to nonrenewal of his agreement, he will only be entitled to his base salary through the termination date and any accrued and unpaid vacation pay or other benefits owed.

If Mr. Hutchens is terminated in connection with a change of control of the Company, or is terminated without cause or terminates his employment for good reason within one year after a change of control of the Company, he is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) an amount equal to the sum of his base salary and his target annual bonus for the year of termination, (iii) a pro rata portion of his target annual bonus for the applicable period of the calendar year for which he was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time, (vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed.

Mr. Hutchens’ amended and restated employment agreement contains non-competition and non-solicitation of customers and employees provisions for the period of his employment and for one year thereafter, as well as confidentiality and proprietary rights provisions. Mr. Hutchens’ amended and restated employment agreement was effective for an initial period ended April 1, 2017, and is automatically extended for additional 12 month periods thereafter, unless written notice is given by Mr. Hutchens or by us not less than 90 days prior to the end of the then-current employment period.

Victoria J. Tullett

Pursuant to the terms of her amended and restated employment agreement, dated as of July 27, 2016, Ms. Tullett is entitled to an annual base salary of $262,800, which is reviewed and may be increased by the Board on an annual basis. Ms. Tullett is eligible to receive an annual bonus of at least 50% of her base salary and equity-based compensation awards as determined by the Compensation Committee of the Board from time to time. Ms. Tullett is also eligible to participate in any benefit plans that are generally made available to our other senior executives.

Ms. Tullett may terminate her employment at any time upon 60 days prior written notice to us for any reason or on 31 days prior written notice to us for good reason. We may terminate Ms. Tullett’s employment at any time with or without cause upon 90 days prior written notice. Ms. Tullett’s employment will automatically terminate upon her death or the Board's determination of her total disability.

If Ms. Tullett is terminated due to total disability or death, she or her legal representatives will be entitled to (i) an amount equal to her base salary payable through the date of termination, (ii) a pro rata portion of her annual bonus, if any, for the applicable period of the year for which she was employed and (iii) any accrued and unpaid vacation pay or other benefits she may be owed. If Ms. Tullett is terminated without cause or she terminates her employment for good reason, she is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) base salary through the one-year anniversary of the termination date, (iii) a pro rata portion of her annual bonus for the applicable period of the calendar year for which she was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time, (vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed. If Ms. Tullett is terminated for cause, terminates her employment without good reason or her employment terminates due to nonrenewal of her

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agreement, she will only be entitled to her base salary through the termination date and any accrued and unpaid vacation pay or other benefits owed.

If Ms. Tullett is terminated in connection with a change of control of the Company, or is terminated without cause or terminates her employment for good reason within one year after a change of control of the Company, she is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) an amount equal to the sum of her base salary and her target annual bonus for the year of termination, (iii) a pro rata portion of her target annual bonus for the applicable period of the calendar year for which she was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time, (vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed.

Ms. Tullett's amended and restated employment agreement contains non-competition and non-solicitation of customers and employees provisions for the period of her employment and for one year thereafter, as well as confidentiality and proprietary rights provisions. Ms. Tullett's amended and restated employment agreement was effective for an initial period ended April 1, 2017, and is automatically extended for additional 12 month periods thereafter, unless written notice is given by Ms. Tullett or by us not less than 90 days prior to the end of the then-current employment period**.**

Potential Payments Upon Termination of Employment or Corporate Transactions/Change of Control

None of our NEOs are entitled to receive payments or other benefits upon termination of employment or a change in control, except as provided in the "Employment Agreements" section above.

Retirement Plans

The Company has a defined contribution benefit plan, qualified under Section 401(k) of the Internal Revenue Code, covering all eligible employees. In 2017, plan participants were eligible to receive a 100% matching contribution with respect to the amount contributed to the plan up to the first 3.00% of salary, plus a 50% matching contribution with respect to the amount contributed to the plan in excess of the first 3.00% of salary, up to 5.00% of salary, and such matching contributions vest immediately.

Outstanding Equity Awards at 2017 Fiscal Year End

The following table sets forth certain information about outstanding equity awards held by our NEOs as of January 1, 2018:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Weldon Spangler	166,667			5.81	10/3/2027 (1)				
			83,333	5.81	10/3/2027 (2)				

Jean M. Birch	9,000			5.29	4/4/2027 [3]	3,000 [13]	16,140		
	9,000			4.38	7/4/2027 [4]				
Mark Hutchens	29,417	19,612		11.85	3/11/2024 [5]	8,333 [14]	44,832		
			24,514	11.85	3/11/2024 [2]				
	7,523			11.00	5/1/2024 [6]				
	15,046	15,046		11.00	5/1/2024 [7]				
			18,807	11.00	5/1/2024 [2]				
	20,625	6,875		11.00	5/1/2024 [8]				
	13,800	13,800		13.45	3/10/2025 [9]				
	5,879	17,636		10.90	3/3/2026 [10]				
		55,800		3.97	3/9/2027 [11]				
		135,000		4.38	7/4/2027 [12]				
Victoria J. Tullett	9,199			11.85	3/11/2024 [15]			15,086 [2]	81,163
	9,396			11.00	5/1/2024 [6]				
	4,650			11.00	5/1/2024 [16]				
	9,682			11.00	5/1/2024 [17]				
	11,250	3,750		11.00	5/1/2024 [8]				
			11,863	11.00	5/1/2024 [2]				
	9,050	9,050		13.45	3/10/2025 [9]				
	3,908	11,722		10.90	3/3/2026 [10]				
		36,900		3.97	3/9/2027 [11]				

(1) Option awards granted on October 3, 2017, that vest in equal annual installments over four years beginning on the first anniversary of the grant date.

(2) Performance vesting awards vest when the volume-weighted average closing price per share of the Company’s common stock equals or exceeds $14.50 per share for 90 consecutive trading days.

(3) Option awards vested 100% when granted on April 4, 2017.

(4) Option awards vested 100% when granted on July 4, 2017.

(5) Option awards granted on March 11, 2014, that vest in equal annual installments over five years beginning on the first anniversary of the grant date. The first tranche contained a provision that vesting would occur at the earlier of the completion of an initial public offering or the first anniversary of the option grant date.

(6) Option awards vested 100% when granted on May 1, 2014.

(7) Option awards granted on May 1, 2014, that vest in four equal annual installments beginning on March 11, 2016.

(8) Option awards granted on May 1, 2014, that vest in equal annual installments over four years beginning on the first anniversary of the grant date.

(9) Option awards granted on March 10, 2015, that vest in equal annual installments over four years beginning on the first anniversary of the grant date.

(10) Option awards granted on March 3, 2016, that vest in equal annual installments over four years beginning on the first anniversary of the grant date.

(11) Option awards granted on March 9, 2017, that vest in equal annual installments over four years beginning on the first anniversary of the grant date.

(12) Option awards granted on July 4, 2017, that vest in equal annual installments over four years beginning on the first anniversary of the grant date.

(13) Restricted shares awarded on July 4, 2017, that vest on July 4, 2018.

(14) Restricted shares awarded on January 4, 2017, that vested on January 4, 2018.

(15) Option awards vested 100% when granted on March 11, 2014.

(16) Option awards granted on May 1, 2014, that vest in two equal annual installments beginning on March 5, 2014.

(17) Option awards granted on May 1, 2014, that vest in four equal annual installments beginning on December 28, 2014.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

We describe below the transactions and series of similar transactions, since the beginning of our last fiscal year, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, nominees for director, executive officers or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

Employment Agreements

We have entered into an employment agreement with certain of our NEOs. See “Executive Compensation—Employment Agreements.”

Policies for Approval of Related Person Transactions

In connection with our initial public offering, we adopted a written policy relating to the approval of related person transactions. A “related person transaction” is a transaction or arrangement or series of transactions or arrangements in which we participate (whether or not we are a party) and a related person has a direct or indirect material interest in the transaction. Our Audit Committee reviews and approves or ratifies all relationships and related person transactions between us and (i) our directors, director nominees or executive officers, (ii) any 5% record or beneficial owner of our Common Stock or (iii) any immediate family member of any person specified in (i) and (ii) above. The Audit Committee reviews all related person transactions and, where the Audit Committee determines that the transactions are in our best interests, approves or ratifies the transactions.

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As set forth in the related person transaction policy, in the course of its review and approval or ratification of a related party transaction, the Audit Committee will, in its judgment, consider in light of the relevant facts and circumstances whether the transaction is, or is not consistent with, our best interests, including consideration of various factors enumerated in the policy.

Any member of the Audit Committee who is a related person with respect to a transaction under review will not be permitted to participate in the discussions or approval or ratification of the transaction. However, such member of the Audit Committee will provide all material information concerning the transaction to the Audit Committee. Our policy also includes specified exceptions for transactions that need not be reported and provides the Audit Committee with the discretion to pre-approve various transactions.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of Common Stock as of March 26, 2018 with respect to: (i) each person known by the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) each of the Company's directors, (iii) each of the Company's nominees for election as director, (iv) each of the Company's NEOs, and (v) all directors and executive officers as a group. The address for each of our executive officers and our directors is 8000 NE Parkway Drive, Suite 350, Vancouver, Washington 98662. Except as otherwise noted, the persons listed below have sole investment and voting power with respect to the shares owned by them.

Name and Address of Beneficial Owner	**Shares of Common Stock Beneficially Owned** (1)		**Percent of Common Stock Outstanding**
5% Stockholders			
Thomas H. Lee LEP Papa Murphy's Holdings, LLC Lee Equity Partners Realization Fund GP, LLC 650 Madison Ave, 21st Floor, New York, NY 10022	4,428,981	(2)	26.1%
MFP Partners, L.P. MFP Investors LLC Michael F. Price 909 Third Avenue, 33rd Floor New York, NY 10022	2,531,369	(3)	14.9%
Misada Capital Flagship Fund LP Misada Capital Holdings LLC Noah A. Elbogen 200 S. Dwight Place Englewood, NJ 07631	1,569,408	(4)	9.2%

Vintage Capital Management, LLC Kahn Capital Management, LLC Brian R. Kahn 4705 S. Apopka Vineland Road, Suite 210, Orlando, FL 32819	1,641,969	(5)	9.7%
Wasatch Advisors, Inc. 505 Wakara Way, Salt Lake City, UT 84108	1,890,893	(6)	11.1%

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Named Executive Officers and Directors:

Jean M. Birch	51,095	(7)	*
Weldon Spangler	30,000		*
Mark Hutchens	188,299	(8)	1.1%
Victoria J. Tullett	128,781	(9)	*
Benjamin Hochberg	0		*
Yoo Jin Kim	11,071		*
L. David Mounts	230,905		1.4%
John Shafer	37,818	(10)	*
Rob Weisberg	7,595		*
Katherine L. Scherping	6,000		*
Alexander C. Matina	3,000		*
Noah A. Elbogen	1,569,408	(4)	9.2%
Executive Officers and Directors as a group (12 persons)	2,263,972	(11)	13.1%

(1) The beneficial ownership percentage is calculated based on shares of the Company's Common Stock outstanding as of March 26, 2018. Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting power and investment power with respect to shares. Shares issuable upon the exercise of outstanding stock options that are currently exercisable or become exercisable within 60 days following March 26, 2018 are considered outstanding for the purpose of calculating the percentage of Common Stock owned by a person, but not for the purpose of calculating the percentage of Common Stock owned by any other person.

(2) This information is based solely on Amendment No. 2 to Schedule 13G filed by LEP Papa Murphy's Holdings, LLC, Lee Equity Partners Realization Fund GP, LLC and Thomas H. Lee on February 14, 2017. Thomas H. Lee has sole voting power and sole dispositive power of 30,697 shares of Common Stock. Lee Equity Partners Realization Fund GP, LLC and LEP Papa Murphy's Holdings, LLC ("LEP Papa Murphy's") have shared voting and dispositive power of an additional 4,398,284 shares of Common Stock. The members of LEP Papa Murphy's are Thomas H. Lee, Lee Equity Partners Realization Fund, L.P., a Delaware limited partnership ("Lee Equity"), and Lee Equity Strategic Partners Realization Fund, L.P., a Delaware limited partnership ("Lee Strategic," and, together with Lee Equity, the "Lee Equity Funds"). Lee Equity Partners Realization Fund GP, LLC, a Delaware limited liability company, is the general partner of each of the Lee Equity Funds (the "General Partner"). Lee Equity Partners, LLC, a Delaware limited liability company (the "Investment Manager"), is the non-member manager of LEP Papa Murphy's and serves as the investment manager of the Lee Equity Funds. Voting and disposition decisions at the General Partner with respect to such securities are made by a majority in number of the General Partner's managers, Thomas H. Lee,

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Benjamin A. Hochberg, Mark Gormley, Yoo Jin Kim, David J. Morrison and Joseph B. Rotberg. Each of the managers disclaims beneficial ownership of these securities except to the extent of any pecuniary interest therein.

(3) This information is based solely on Amendment No. 1 to Schedule 13D filed by MFP Partners, L.P. ("MFP"), MFP Investors LLC and Michael F. Price on March 21, 2018. MFP Investors LLC is the general partner of MFP. Michael F. Price is the managing partner of MFP and the managing member and controlling person of MFP Investors LLC. MFP, MFP Investors LLC and Michael F. Price have shared voting power and shared dispositive power of 2,531,369 shares of Common Stock.

(4) This information is based solely on Amendment No. 3 to Schedule 13D filed by Misada Capital Flagship Fund LP, Misada Capital Holdings LLC and Noah A. Elbogen on December 26, 2017 and Form 4 filed by Noah A. Elbogen on December 22, 2017. Noah A. Elbogen has sole voting power and sole dispositive power of 10,175 shares of Common Stock. Misada Capital Flagship Fund LP, Misada Capital Holdings LLC and Noah A. Elbogen have shared voting power and shared dispositive power of an additional 1,559,233 shares of Common Stock.

(5) This information is based solely on Schedule 13G filed by Vintage Capital Management, LLC, Kahn Capital Management, LLC and Brian R. Kahn on August 21, 2017. Vintage Capital Management, LLC, Kahn Capital Management, LLC and Brian R. Kahn have shared voting power and shared dispositive power of 1,641,969 shares of Common Stock.

(6) This information is based solely on Amendment No. 2 to Schedule 13G filed by Wasatch Advisors, Inc. on February 14, 2017. Wasatch Advisors, Inc. beneficially owns and has sole voting power and sole dispositive power of 1,890,893 shares of Common Stock.

(7) Includes options to purchase 18,000 shares of Common Stock currently exercisable or exercisable within 60 days following March 26, 2018.

(8) Includes options to purchase 143,224 shares of Common Stock currently exercisable or exercisable within 60 days following March 26, 2018.

(9) Includes options to purchase 78,542 shares of Common Stock currently exercisable or exercisable within 60 days following March 26, 2018.

(10) Includes options to purchase 5,783 shares of Common Stock currently exercisable or exercisable within 60 days following March 26, 2018.

(11) Includes options to purchase 245,549 shares of Common Stock currently exercisable or exercisable within 60 days following March 26, 2018.

* Indicates that the percentage of shares of Common Stock beneficially owned does not exceed one percent of the Company's Common Stock outstanding as of March 26, 2018.

Equity Compensation Plan Information

The following table summarizes our equity compensation plan information as of January 1, 2018. Information is included for equity compensation plans approved by our stockholders and equity compensation plans not approved by our stockholders. We will not grant equity awards in the future under any of the equity compensation plans not approved by our stockholders included in the table below.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (1)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)
Equity Compensation Plans approved by stockholders	1,107,242	$8.25	372,268 (2)
Equity Compensation plans not approved by stockholders	—	—	—
Total	1,107,242	$8.25	372,268

(1) The weighted average exercise price is calculated based solely on outstanding stock options. It does not take into account the shares of our common stock underlying restricted stock units, which have no exercise price.

(2) Consists of 64,996 shares under the Company's Amended 2010 Management Incentive Plan and 307,272 shares under the Company's 2014 Equity Incentive Plan, which can generally be granted pursuant to stock options, stock appreciation rights, restricted stock awards, restricted stock units or stock awards.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of our Common Stock, file reports of ownership and changes of ownership with the SEC. These directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during our fiscal year ended January 1, 2018, all Section 16(a) filing requirements were satisfied on a timely basis, except for one report on Form 4 filed by Mark Hutchens to report one transaction, and two reports on Form 4 filed jointly by MFP Partners, L.P. ("MFP"), MFP Investors LLC and Michael F. Price to report two transactions.

Fiscal Year 2017 Annual Report and SEC Filings

Our financial statements for our fiscal year ended January 1, 2018 are included in our 2017 Annual Report on Form 10-K, which is posted on our website at http://investors.papamurphys.com and is available from the SEC at its website at www.sec.gov. You may also obtain a copy of our 2017 Annual Report on Form 10-K without charge by sending a written request to Papa Murphy's Holdings, Inc., Attention: Investor Relations, 8000 NE Parkway Drive, Suite 350, Vancouver, Washington 98662.

Stockholders Sharing the Same Address

We have adopted a procedure called "householding," which has been approved by the SEC. Under this procedure, we will deliver only one copy of our Notice of Internet Availability of Proxy Materials, and for those stockholders that received a paper copy of proxy materials in the mail, one copy of our annual report to stockholders and this proxy statement, to multiple stockholders who share the same address (if they appear to be members of the same family) unless we have received contrary instructions from an affected stockholder. Stockholders who participate in householding will continue to receive separate proxy cards if they received a paper copy of proxy materials in the mail.

The annual report to stockholders and this proxy statement are available on our website at http://investors.papamurphys.com. We will deliver promptly upon written or oral request a separate copy of the annual report and this proxy statement to any stockholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy of the annual report or this proxy statement, contact us at:

Investor Relations
8000 NE Parkway Drive, Suite 350
Vancouver, Washington 98662
(877) 747-7272
Investor.Relations@papamurphys.com

If you are a stockholder, and share an address and last name with one or more other stockholders, and would like to revoke your householding consent, or you are a stockholder eligible for householding and would like to participate in householding, please contact our Investor Relations department, either by calling toll free at (877) 747-7272 or by writing to our Investor Relations department at the address set forth above. You will be removed from the householding program within 30 days of receipt of the revocation of your consent.

A number of brokerage firms have instituted householding. If you are a beneficial owner, please contact your bank, broker or other holder of record to request information about householding.

* * *

The Board of Directors does not know of any other matter to be presented at the Annual Meeting. If any additional matters are properly presented at the Annual Meeting, the persons named as proxies will have discretion to vote the shares of our Common Stock they represent in accordance with their own judgment on those matters.

It is important that your shares of our Common Stock be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone, by using the Internet or by mail at your earliest convenience, as instructed on the Notice of Internet Availability of Proxy Materials.

THE BOARD OF DIRECTORS

Vancouver, Washington
April 4, 2018

PAPA MURPHY’S HOLDINGS, INC.

8000 NE PARKWAY DRIVE

SUITE 350

VANCOUVER, WA 98662

VOTE BY INTERNET

Before The Meeting - Go to **www.proxyvote.com**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

During The Meeting - Go to **www.virtualshareholdermeeting.com/FRSH2018**

You may attend the Annual Meeting on May 23, 2018 at 9:00 A.M. Pacific Time via the Internet and vote during the Annual Meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E40233-P04610

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

PAPA MURPHY'S HOLDINGS, INC.	**For All**	**Withhold All**	**For All Except**	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.
The Board of Directors recommends you vote "For All" in Proposal 1 and "For" Proposal 2.				
1. Election of four Class I Directors	o	o	o	
Nominees: 01) Jean M. Birch 02) Noah A. Elbogen 03) Alexander C. Matina 04) Rob Weisberg				

	For	**Against**	**Abstain**
2. To ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.	o	o	o

NOTE: In their discretion, the proxies are authorized to vote upon any other business that may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

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

The Notice and Proxy Statement and 2017 Annual Report on Form 10-K are available at www.proxyvote.com.

E40234-P04610

PAPA MURPHY’S HOLDINGS, INC.

Annual Meeting of Stockholders

May 23, 2018 9:00 AM Pacific Time

This proxy is solicited by the Board of Directors

The undersigned hereby appoints Weldon Spangler and Mark Hutchens, and each of them, with power to act without the other and with full power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as designated on the reverse side, all the shares of Papa Murphy’s Holdings, Inc. Common Stock that the signatory on the reverse side is entitled to vote, and, in their discretion, to vote upon any other business that may properly come before the Annual Meeting of Stockholders of Papa Murphy’s Holdings, Inc. to be held May 23, 2018, or at any adjournments or postponements of the Annual Meeting, with all powers which the signatory on the reverse side would possess if personally present.

This proxy, when properly executed, will be voted in the manner directed herein. If the signed proxy is returned but no such direction is made, this proxy will be voted in accordance with the Board of Directors’ recommendations.

Continued and to be signed on reverse side