June 22, 2017

Sent via email

Potbelly Corporation
111 N. Canal St., Ste. 850
Chicago, IL 60606

Potbelly Corporation Board of Directors:

Ancora Advisors LLC is a significant shareholder of Potbelly Corporation ("Potbelly" or "Company"), owning approximately 4% of the outstanding shares. We believe Potbelly has the potential to be a very attractive investment at the current valuation, underpinned by robust store level return on invested capital ("ROIC"), a strong balance sheet, a quality brand and product, and significant growth runway. However, while the Company targets 25%+ shop level ROIC, it has been unable to translate strong unit level returns to acceptable shareholder returns. As discussed below, we believe a number of opportunities exist to materially improve corporate level returns at Potbelly. As the Company is conducting its CEO search, we believe the board and management team should be actively exploring these opportunities during this transition period.

Since going public in October 2013, investors have experienced nothing but losses as owners of Potbelly. Over every measurable period, Potbelly has underperformed the market, dramatically for the most part, as seen in the table below. We believe management and the board's focus on growth at the expense of returns is the primary driver of the underperformance, and we outline some key areas where a change in strategy is needed to put the Company on a path that will reward rather than punish shareholders. If the board remains convinced that it now has the appropriate strategy in place, we would strongly urge it to immediately pursue a sale / going private transaction, as we do not believe the current strategy would be attractive for current or potential public/minority shareholders over any investable timeframe.

PBPB total shareholder return (TSR)

	1 year	3 year	Since IPO[2]
PBPB TSR	**(11.1%)**	**(28.4%)**	**(62.5%)**
Russell 2000	22.9%	23.1%	36.9%
S&P 500	19.5%	32.3%	55.9%
Restaurant peer group[1]	5.2%	30.8%	44.8%

1) Restaurant peers includes 43 companies across QSR, fast casual, family dining, specialty dining, etc.
2) Relative to the closing price on the day of the IPO
Note: pricing as of 6/21/17
Source: Factset

Our discussion in this letter will primarily focus on three areas in which we believe the Company has the opportunity to dramatically improve its current strategy, in turn improving shareholder returns:

- Capital allocation
- Franchise strategy
- Corporate governance

We see a viable path to more than double the current share price if the Company adopts a strategy that would benefit shareholders and focus on ROIC. We hope to engage in a constructive dialogue with the board to ensure the Company is doing all it can to promote shareholder value. However, we have significant experience in corporate activism, and particularly given the unacceptable total shareholder returns since the Company's IPO and low levels of stock ownership on the board, we will not hesitate to use whatever means necessary to ensure that the best interests of shareholders are represented.

Capital allocation

Since the beginning of 2011, when the Company began to more aggressively expand its store footprint, Potbelly has spent approximately $212 million on capital expenditures. Relative to the Company's $14 IPO in 2013, the share price of the Company has declined ~20% (-63% when considering the closing price of the IPO date), or roughly $70 million in market capitalization based on today's share count. Through this period, the Company has continued to aggressively grow locations, despite significant deterioration in the return profile of its stores. While the Company was investing at very attractive returns on incremental capital in 2011, the cumulative return on capital invested since 2011 has been on a consistent decline:

($ in mm)

Return on cumulative incremental invested capital

	2011	2012	2013	2014	2015	2016	2017E
Incremental Adj. EBITDA (vs. 2010)(1)	4.4	8.6	11.3	11.8	16.1	22.2	20.4
Cumulative invested capital (capex)	17.8	43.7	71.8	101.0	136.7	173.4	212.6
ROIIC	**25.0%**	**19.6%**	**15.7%**	**11.6%**	**11.8%**	**12.8%**	**9.6%**

1) EBITDA = EBIT + D&A + SBC + impairment / closures / IPO costs. Incremental to 2010 EBITDA

Given that Potbelly's capital structure is currently comprised of 100% equity, the Company's cost of capital is above 10% today (and most likely greater than 12%), implying that the invested capital in recent years is likely destroying shareholder value.

Given that the Company's ROIIC is under-earning its cost of capital, we believe management and the board should immediately curtail store expansion, particularly ahead of both the hiring of a new CEO and the outcome of the Company's Shop 2020 initiative. Of the over $40 million in operating cash flow expected to be generated by the Company in 2017, nearly all of that is designated for capital spend, primarily for store expansion. We believe that a more prudent ratio of capital spend / EBITDA would be ~50% versus the near 100% ratio today, with a focus on growing only the company's highest conviction locations and leaving the Company dry powder to deploy for accretive share repurchases at an attractive current valuation.

While shop AUV's have remained relatively consistent since the IPO, restaurant margins have declined nearly 200bps. AUV's have been supported by price increases by the Company, however traffic trends have weakened, rendering the Company incapable of offsetting increasing occupancy costs and labor inflation. Given that Potbelly has historically been primarily a one-daypart concept and traffic growth has remained elusive, we believe the most logical solution for concept is to shrink the square footage and reduce capital spend of new unit builds, particularly as the consumer gravitates more towards out-of-store consumption and delivery.

At a recent conference, The Company's CFO Mike Coyne discussed potential new models for the concept:

> "We've had, while our average shop investment is $600,000 we have some that we spent dramatically less than that and our average square foot is little over 2,000, and we've had a

couple of shops that are much less than that and worked well for us in great returns. Most recently, what we did is we did a build-out of a shop in a hospital in downtown Chicago, Lurie Children's Hospital and it's all of 600 square feet compared to that of 2,000 or 2,200 and it is doing phenomenally well, better than even our average revenue of shop.

So, whether it's in lobbies, in the lobby of a hospital or the lobby of a Goldman Sachs, of a big building or airports or universities, et cetera, we can take a 600-square-foot space and turn it into a very profitably high-value Potbelly shop that sells most everything that we sell in a normal shop. And we actually have the ability, we think, to go even smaller as long as we have some nearby space for commissary to store some things"

Below is a comparison of the potential return profile of the current shop versus the one outlined by Mike, along with a more conservative look at what returns at a lower traffic "kiosk" could look like:

	Current	**Conserv. Kiosk**	**Kiosk example[2]**
Average square feet	2,200.0	600.0	600.0
Build cost / unit	$600,000.0	$350,000.0	$350,000.0
$ cost / sq ft	*272.7*	*583.3*	*583.3*
AUV (2017E)	$1,030,360.5	$750,000.0	$1,100,000.0
$ sales / sq ft	*468.3*	*1,250.0*	*1,833.3*
Restaurant margin[1]	*18.2%*	*18.2%*	*18.2%*
Restaurant profit	187,962.1	136,817.7	200,666.0
G&A @ 10%	(18,796.2)	(13,681.8)	(20,066.6)
EBITDA / store	169,165.9	123,135.9	180,599.4
D&A (10 years)	(60,000.0)	(35,000.0)	(35,000.0)
EBIT	109,165.9	88,135.9	145,599.4
Taxes @ 38.5%	(42,028.9)	(33,932.3)	(56,055.8)
NOPAT	67,137.0	54,203.6	89,543.6
ROIC	**11.2%**	**15.5%**	**25.6%**
Relative to current		*138.4%*	*228.6%*

Note: Estimates in blue
1) 2017E margin
2) Per CFO at GS conference
Source: Company filings, Ancora estimates, Factset

If the kiosk concept Mike Coyne outlined recently is scalable, it has the potential to dramatically improve shareholder returns. We would also note that we are likely being conservative by making restaurant margins the same as current in the "Conserv. kiosk" and "Kiosk example" cases, as occupancy costs would likely be materially lower as a percentage of sales in the two kiosk examples. We believe the board and management need to address the deteriorating return profile immediately and drastically slow the build out of locations, particularly in light of the Shop 2020 review (which will hopefully explore the smaller box / kiosk model in depth), and ahead of a new CEO being hired. Given that the Company's sales per square foot has stagnated over the last few years, reducing square feet is the easiest path to improving returns. As seen in the peer comparison below, the Company is well below the median sales / sq feet for comparable fast casual businesses, which further supports the case of shrinking the Potbelly box.

Company	Ave sq ft	AUV ($000s)	Sales / sq ft
Chipotle Mexican Grill	2,500.0	$1,704.2	$681.7
Shake Shack	3,250.0	4,052.3	1,246.9
Zoe's Kitchen	2,750.0	1,306.9	475.2
Habit Restaurants	2,400.0	1,714.1	714.2
Noodles & Co	2,650.0	1,179.8	445.2
Pollo Tropical	3,250.0	2,220.8	683.3
Potbelly	**2,300.0**	**1,053.3**	**458.0**
Average	2,728.6	1,890.2	672.1
Median	2,650.0	1,704.2	681.7

Note: based on year end 2016 AUV and store count

Source: Company filings, Capital IQ

In the current environment of evolving consumer behavior (online ordering, increasing delivery / out of store frequency), Potbelly has the advantage of being underbuilt relative to its ultimate addressable market and can cater to these trends. The Company is not burdened with a full nationwide network of shops that may not fit with where consumer behavior is trending. However, ahead of concluding the analysis of what the store of the future should look like (optimizing ROIC) with Shop 2020, why does it make sense to add potentially over 150 additional units of the current ~2,200 sq ft. model over the next 3 years if this is not the optimal model from a capital return standpoint (potentially exacerbating the trend of deteriorating shareholder returns)? The Company has also failed to articulate why Shop 2020 will require 3 years of analysis before the Company can transition to the new shop concept.

Nevertheless, while Shop 2020 remains in the data collection phase, we believe the prudent strategy would be to dramatically slow unit growth. We would suggest a capex/EBITDA ratio of ~50%, which we believe to be a reasonable target mix of cash generation and growth. In this case, the Company could focus on growing its highest conviction units from a ROIC perspective, and also continue to return capital to shareholders.

Franchise Strategy

After its IPO in October of 2013, the Company has generated merely ~$17 million of free cash flow ("FCF") from the first quarter of 2014 through the first quarter of 2017. While a substantial amount of the Company's capital expenditures represents store expansion, we have shown that the incremental returns of owned-store investment (in its current form) have been deteriorating. In addition to becoming more efficient in its capital allocation, the Company should focus on driving growth in free cash flow rather than just revenue and EBITDA growth.

We believe that Potbelly should look at dramatically increasing the franchise mix of its store base through both looking into re-franchising a portion of its current store base, and also driving its unit growth with a much higher weight of franchises vs. owned stores. As we discuss in further detail below, an increased franchise mix would result in multiple benefits for the Company, including:

- Potbelly's 100% equity funding is sub-optimal for driving shareholder returns. Given that Potbelly is primarily a one-daypart concept, rent expense as a percentage of sales is relatively higher than most of its other fast casual peers, resulting in a substantial level of lease adjusted debt (even though the Company has no capital structure debt). Materially increasing the percentage of franchises in the store base would drive down rent expense as a % of sales and would also improve cash generation, strengthening the Company's balance sheet. Together, these would improve Potbelly's position to add capital structure debt at attractive terms, which would lower its cost of capital and improve shareholder returns. An improved FCF profile in conjunction with capital structure optionality also opens up strategic flexibility for Potbelly's board, as this transition would also increase the likelihood of private equity interest and increase private equity's ability to pay should the Company choose to explore strategic alternatives

- The re-franchising of a meaningful portion of Potbelly's store base would generate a significant infusion of cash. This capital could be deployed to repurchase shares at an attractive valuation. A meaningful share repurchase today would be especially accretive should the Company take steps to improve ROIC as discussed previously in this letter

- We believe the combination of dramatically altering the franchise mix and share buybacks could more than double FCF / share versus the current consensus case

As it is conducting the CEO search, the board should identify managers with significant franchise experience. We believe the strong shop level returns at Potbelly, high quality product and brand, and relatively straightforward concept make it an attractive candidate for franchisees. As we illustrate below, transitioning the store base mix more heavily toward franchises can dramatically improve ROIC for Potbelly, and the board should strongly consider a candidate with successful franchise experience to lead this transition.

If the Company continues to grow primarily through owned stores, we believe Potbelly's strategic flexibility to add capital structure debt or pursue a going private transition at an attractive multiple is diminished. Under the framework used by the ratings agencies (rent capitalized at 6.0x), below is the outlook for Potbelly's lease adjusted leverage in the current predominantly owned stores case.

($ in mm)	2016	2017E	2018E	2019E	2020E
Occupancy expense	$52.4	$59.0	$64.7	$69.7	$75.2
Rent expense[1]	41.9	47.2	51.7	55.7	60.1
% of occupancy	79.9%	79.9%	79.9%	79.9%	79.9%
Capitalized leases (6.0x)	251.5	283.1	310.1	334.4	360.6
Net cash[2]	23.4	23.0	37.9	56.2	76.9
Lease adjusted net debt	228.1	260.0	272.1	278.3	283.7
Adj. EBITDAR	$84.9	$88.3	$99.3	$109.8	$121.3
Lease adj. debt / EBITDAR	**2.7x**	**2.9x**	**2.7x**	**2.5x**	**2.3x**

1) Per 10K, assumes same % after 2016

2) Assumes no share buybacks after 2017

Source: Company filings, Ancora estimates

However, if the Company were to pursue a re-franchising transaction (150 stores, all sold in 2017 in this case for illustrative purposes at 5x store EBITDA) and changed the mix of unit growth such that franchises accounted for ~50% of stores by 2020, Potbelly would be in a much stronger position with regards to its balance sheet. Also, with lease adjusted debt / EBITDAR significantly lower in the franchise case, the Company is a much more attractive LBO candidate as the required equity check for private equity is dramatically reduced and the ability to pay a premium multiple increases.

($ in mm)	2016	2017E	2018E	2019E	2020E
Occupancy expense	$52.4	$43.4	$48.0	$49.9	$51.7
Rent expense[1]	41.9	34.7	38.4	39.9	41.3
% of occupancy	79.9%	79.9%	79.9%	79.9%	79.9%
Capitalized leases (6.0x)	251.5	208.3	230.2	239.2	247.9
Net cash[2]	23.4	103.5	132.4	165.2	199.8
Lease adjusted net debt	228.1	104.8	97.8	74.0	48.1
Adj. EBITDAR	$84.9	$71.5	$85.3	$92.4	$99.7
Lease adj. debt / EBITDAR	**2.7x**	**1.5x**	**1.1x**	**0.8x**	**0.5x**

1) Per 10K, assumes same % after 2016

2) Assumes no share buybacks after 2017

Source: Company filings, Ancora estimates

In addition to improving the balance sheet, a cash infusion from a re-franchising transaction could be put to use for a meaningful buyback. Historical multiples of EBITDA on similar deals have ranged in the 4x-6x range, with the most relevant recent deals transacting at a mid 5x multiple. We estimate that, in our 150 shops sold case, the Company could generate nearly $90 million after tax that could be returned to shareholders or used for accretive growth.

($ in mm, except AUV in 000s)	
Number of stores converted	150.0
% 2017 year end total	*33.9%*
2017E AUV	1,030.4
Annual sales (sold stores)	$154.6
2017E restaurant margin %	*18.2%*
4-wall EBITDA (sold stores)	$28.2
G&A adjustement	(4.6)
Multiple	5.0x
Sold store EV	$117.8
2017E PP&E	113.0
Basis for sold stores[1]	38.4
Tax rate	*38.5%*
Taxes in transaction	30.6
Net proceeds	**87.2**
% of market cap	*30.2%*

1) PP&E * % of stores sold

Source: Company filings, Ancora estimates

The Company can also dramatically improve its free cash flow generation and return on capital in a model that was more franchise weighted. The following comparison assumes again that 150 stores are re-franchised in 2017 – we recognize that this is aggressive timing and the store base would have to be sold likely on a regional basis over a multi-year time horizon – however the longer term impact by 2020 is largely the same. We also convert all stores in 2017 so we can show the returns on incremental capital invested in 2018-2021 off of a fully converted base (apples-to-apples). The model assumes 0.6% CAGR for owned store AUV from 2017-2021 in the "current case" and a 1.3% CAGR for owned store AUV in the "franchise case" over the same period, with the difference being driven by the assumption that new stores have lower AUV than stores currently in the base, and because there is more owned store growth in the "current case," AUV growth is slower in that model. Regardless, we believe our assumptions to be fairly conservative in both cases.

Current plan	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
Owned stores	442.0	472.0	504.0	538.0	574.0
Net stores added	31.0	30.0	32.0	34.0	36.0
% growth	*7.5%*	*6.8%*	*6.8%*	*6.7%*	*6.7%*
Franchise stores	66.0	96.0	116.0	136.0	156.0
Net stores added	23.0	30.0	20.0	20.0	20.0
% growth	*53.5%*	*45.5%*	*20.8%*	*17.2%*	*14.7%*
% owned	87.0%	83.1%	81.3%	79.8%	78.6%
% franchised	13.0%	16.9%	18.7%	20.2%	21.4%
Owned revenue	434.2	471.7	507.8	546.3	587.3
Franchise revenue	3.5	5.1	6.0	7.0	8.1
Total revenue	**$437.7**	**$476.8**	**$513.8**	**$553.4**	**$595.4**
Gross profit	130.4	143.4	155.7	169.1	183.2
% margin	*29.8%*	*30.1%*	*30.3%*	*30.6%*	*30.8%*
Adj EBITDA	41.2	47.6	54.0	61.2	68.9
% margin	*9.4%*	*10.0%*	*10.5%*	*11.1%*	*11.6%*
Capex	39.1	33.2	35.8	38.5	41.3
% intensity	*8.9%*	*7.0%*	*7.0%*	*7.0%*	*6.9%*
UFCF[1]	**$2.0**	**$14.3**	**$18.2**	**$22.7**	**$27.6**
Incremental EBITDA		6.4	12.9	20.0	27.8
Incremental capex		33.2	69.1	107.6	148.8
Incremental ROIC		**19.3%**	**18.6%**	**18.6%**	**18.7%**

1) EBITDA - capex

Source: Company filings, Ancora estimates

Franchise plan	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
Owned stores	292.0	302.0	309.0	318.0	329.0
Net stores added	31.0	10.0	7.0	9.0	11.0
% growth	*(29.0%)*	*3.4%*	*2.3%*	*2.9%*	*3.5%*
Franchise stores	216.0	261.0	306.0	351.0	396.0
Net stores added	23.0	45.0	45.0	45.0	45.0
% growth	*53.5%*	*20.8%*	*17.2%*	*14.7%*	*12.8%*
% owned	57.5%	53.6%	50.2%	47.5%	45.4%
% franchised	42.5%	46.4%	49.8%	52.5%	54.6%
Owned revenue	318.8	350.7	365.5	380.0	397.2
Franchise revenue	11.0	18.2	21.0	23.8	26.7
Total revenue	**$329.8**	**$368.9**	**$386.5**	**$403.9**	**$423.9**
Gross profit	104.3	121.3	129.3	137.4	146.3
% margin	*31.6%*	*32.9%*	*33.5%*	*34.0%*	*34.5%*
Adj EBITDA	36.8	46.9	52.6	58.4	64.7
% margin	*11.2%*	*12.7%*	*13.6%*	*14.5%*	*15.3%*
Capex	34.8	17.4	16.1	17.9	19.9
% intensity	*10.6%*	*4.7%*	*4.2%*	*4.4%*	*4.7%*
UFCF[1]	**$2.0**	**$29.6**	**$36.5**	**$40.5**	**$44.8**
Incremental EBITDA		10.1	15.7	21.6	27.9
Incremental capex		17.4	33.4	51.4	71.2
Incremental ROIC		**58.1%**	**47.1%**	**42.0%**	**39.1%**

1) EBITDA - capex

Source: Company filings, Ancora estimates

In the current plan, pre-tax ROIIC continues to underwhelm and the Company likely generates very little or negative returns to shareholders after tax, assuming a low double digit cost of capital. While the Company does generate additional cash in this scenario, it would be more beneficial for shareholders if the capital was not spent in the first place.

In the franchise case, it is clear that Potbelly would generate returns well above its cost of capital and drive material value for shareholders. Adopting this strategy also greatly improves returns without underwriting any dramatic improvement in the underlying business, which would all be upside to this analysis.

Since the IPO, we believe there has been a lack of accountability by this board with regards to driving value for shareholders. By slowing low or negative returning owned store growth and shifting to a franchise based model, the Company can produce meaningfully higher FCF / share than the current consensus projections, particularly should the proceeds from a re-franchising transaction be used to repurchase stock. As seen below, adopting the franchise strategy could realistically more than double the share price by 2020.

($ in mm, except per share)	*Consensus case*			*Franchise case*		
	2018	**2019**	**2020**	**2018**	**2019**	**2020**
EBITDA	$47.6	$54.0	$61.2	$46.9	$52.6	$58.4
Capex	33.2	35.8	38.5	17.4	16.1	17.9
Free cash flow	9.9	13.2	15.7	23.9	27.7	29.5
Cash for buyback	12.0	16.0	19.0	119.0	30.0	35.0
Buyback price	13.00	15.00	17.50	18.00	20.00	22.00
Ending net cash	25.9	28.2	29.9	13.4	16.2	15.8
Pro Forma shares outstanding	25.5	25.0	24.4	22.5	21.8	21.0
FCF / share	**$0.39**	**$0.53**	**$0.64**	**$1.06**	**$1.27**	**$1.41**
FCF yield (current)	*3.4%*	*4.7%*	*5.7%*	*9.4%*	*11.3%*	*12.5%*
After-tax operating profit[1]	7.0	9.4	12.2	12.4	15.5	18.8
Invested capital	115.5	117.8	120.3	90.8	85.9	79.3
Corporate level ROIC	**6.0%**	**8.0%**	**10.1%**	**13.7%**	**18.1%**	**23.7%**
Target EBITDA multiple	6.5x	6.5x	6.5x	8.5x	8.5x	8.5x
EV	309.2	351.1	397.6	398.9	446.8	496.2
Net cash	25.9	28.2	29.9	13.4	16.2	15.8
Market cap	335.2	379.3	427.5	412.4	463.0	512.0
Price target	**$13.15**	**$15.19**	**$17.51**	**$18.30**	**$21.25**	**$24.39**
% to current	*16.9%*	*35.1%*	*55.6%*	*62.6%*	*88.9%*	*116.8%*
Implied FCF yield %	*2.9%*	*3.5%*	*3.7%*	*5.8%*	*6.0%*	*5.8%*

1) Projected operating income taxed at 38.5%

Source: Company filings, Ancora estimates, Factset

In the franchise case, the Company begins to generate corporate level returns well in excess of its cost of capital, while the consensus case fails to generate any value for shareholders absent a material improvement in business fundamentals. Over the past 2 years, the Company has traded primarily in the 6.0x – 8.0x EBITDA range, and we believe absent any change in strategy, the stock will continue to trade at the low end of that range. While we do not invest in companies for multiple expansion, higher ROIC businesses correlate strongly with higher multiples paid, and we believe if Potbelly were to drive the return improvement demonstrated in the franchise case, it would command a multiple likely higher than the one shown in our analysis. For example, in 2006 before its transition to a higher franchise mix, Jack-in-the-Box also traded at approximately 7.0x EBITDA, but now trades ~12.0x reflecting the better return profile of the franchise model.

JACK ROIC vs. EBITDA multiple

	2006	Current
% of Stores - Company Owned	*64.5%*	*26.5%*
% of Stores - Franchised	*35.5%*	*73.5%*
ROIC	12.0%	17.7%
EV / EBITDA NTM Multiple	6.9x	12.2x

Source: Factset, Capital IQ

At JACK's current EBITDA multiple of ~12x on 2020 EBITDA in our franchise case, Potbelly would be worth nearly $35 per share, over 200% above today's share price.

Corporate Governance

As the board navigates the CEO search process we believe it is important that a shareholder appointed board member be immediately added to the board to participate in the selection process. After Aylwin Lewis' departure, all executive officers and board members own collectively less than 5% of the Company. Even more concerning is the extremely low participation rate of insiders purchasing shares of Potbelly. The May 8, 2017 purchase of shares by Peter Bassi appears to be the only actual purchase of stock by current insiders in the last three years. In fact, of the 1,113,681 shares of stock and options held by insiders today, only 33,650 (approx. 3%) of those shares were actually purchased. The remaining are the result of restricted stock units (RSUs) and options grants, and options account for 74% of the shares held by insiders today.

Additionally, Potbelly's board must create a new compensation structure that aligns executive compensation with shareholder returns. Since the IPO, the Company's board has generously compensated the Company's executives despite poor total shareholder returns and inconsistent operating performance.

Name	Title	Year	Salary	Total Cash Comp	Option/RSU Awards	Total Exec. Comp
Lewis, Aylwin B.	Chairman, CEO & President	2011	700,000	1,270,683	1,050,196	2,320,879
		2012	700,000	1,000,641	-	1,000,641
		2013	709,327	1,118,282	1,200,002	2,316,244
		2014	725,000	725,000	-	725,000
		2015	725,000	1,555,647	-	1,555,647
		2016	725,000	1,025,000	1,049,500	2,074,500
Coyne, Michael	CFO and SVP	2015	244,162	412,007	1,039,050	1,451,057
		2016	383,221	493,221	200,000	693,221
Revord, Matthew J.	Chief Legal Officer, SVP, General Counsel	2016	357,673	457,673	180,000	637,673
Younglove-Webb, Julie	SVP of Operations	2015	299,670	503,600	658,065	1,161,665

Source: Capital IQ

Considering the majority of this board has overseen the significant under-performance of Potbelly's stock price (see below), and has shown such a lack of conviction in the Company's operating plan (as evidenced by minimal purchases of stock), shareholders deserve representation on the board by professionals that actually have a real vested interest in maximizing shareholder value. We would be happy to assist the board in identifying acceptable board candidates, and we reserve the right to potentially pursue board representation at next year's annual meeting if necessary.

	YTD Returns	Total Returns 1 Yr	2 Yr	3 Yr	Since IPO 10-4-13
Potbelly Corp.	**(10.5%)**	**(11.1%)**	**(15.9%)**	**(28.4%)**	**(62.5%)**
Russell 2000 (TR)	4.0%	22.9%	12.4%	23.1%	36.9%
S&P 500 (TR)	9.9%	19.5%	20.6%	32.3%	55.9%
Consumer Discretionary Select Sector SPDR Fund	10.9%	16.1%	19.7%	42.0%	55.5%
Restaurant Peers Average	1.7%	6.8%	(5.1%)	26.0%	45.3%
Restaurant Peers Median	1.6%	5.2%	(9.6%)	30.8%	44.8%

Note: Restaurant peers includes 43 companies across QSR, fast casual, family dining, specialty dining, etc.
Source: Factset

ANCORA

We firmly believe Potbelly should seek out shareholder representation for its board immediately as it evaluates potential CEO candidates and considers the optimal strategy for the Company. We look forward to both discussing our views with the board further and working constructively together to achieve the best outcome for Potbelly shareholders.

Sincerely,

Fred DiSanto
Chairman and Chief Executive Officer
Ancora Advisors LLC