

NCI BUILDING SYSTEMS INC  
Form DEF 14A  
January 26, 2018

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

**SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o  
Check the appropriate box:

o Preliminary Proxy Statement  
 o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 x Definitive Proxy Statement  
 o Definitive Additional Materials  
 o Soliciting Material under Rule 14a-12

**NCI BUILDING SYSTEMS, INC.**

**(Name of Registrant as Specified In Its Charter)**

Payment of Filing Fee (Check the appropriate box):

x No fee required.  
 o 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 much it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act 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) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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January 26, 2018

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of NCI Building Systems, Inc. to be held at 10:00 a.m. CST on Wednesday, February 28, 2018, at The Houstonian Hotel located at 111 North Post Oak Lane, Houston, Texas 77024. At this meeting you will be asked to:

- Proposal 1: Elect the four (4) Class I directors named in the accompanying proxy statement to serve until the 2021 Annual Meeting of Stockholders or until their respective successors have been elected and shall have qualified or until their resignation;
- (2) Proposal 2: Approve the proposed amendment and restatement of the 2003 Long-Term Stock Incentive Plan;
- (3) Proposal 3: Ratify the appointment of Ernst & Young LLP as NCI Building Systems, Inc.'s independent registered public accounting firm for fiscal 2018; and
- (4) Transact such other business as may properly come before the Annual Meeting of Stockholders or any reconvened meeting following any adjournment or postponement thereof.

It is important that your shares be represented at the Annual Meeting of Stockholders. Therefore, whether or not you expect to attend in person, please sign and date the enclosed proxy and return it in the enclosed envelope or submit your proxy using the telephone or Internet procedures that may be provided to you at your earliest convenience. Please note that using any of these methods will not prevent you from attending the meeting and voting in person.

Very truly yours,

DONALD R. RILEY

DONALD R. RILEY  
*President and Chief Executive Officer*

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**NCI BUILDING SYSTEMS, INC.  
10943 North Sam Houston Parkway West  
Houston, Texas 77064**

**NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD FEBRUARY 28, 2018**

The Annual Meeting of Stockholders of NCI Building Systems, Inc. will be held at The Houstonian Hotel located at 111 North Post Oak Lane, Houston, Texas 77024, on Wednesday, February 28, 2018, at 10:00 a.m. CST. The Annual Meeting of Stockholders will be held for the following purposes:

- Proposal 1: Elect the four (4) Class I directors named in the accompanying proxy statement to serve until the 2021 Annual Meeting of Stockholders or until their respective successors have been elected and shall have qualified or until their resignation;
- (2) Proposal 2: Approve the proposed amendment and restatement of the 2003 Long-Term Stock Incentive Plan;
- (3) Proposal 3: Ratify the appointment of Ernst & Young LLP as NCI Building Systems, Inc.'s independent registered public accounting firm for fiscal 2018; and
- (4) Transact such other business as may properly come before the Annual Meeting of Stockholders or any reconvened meeting following any adjournment or postponement thereof.

Only stockholders of record at the close of business on January 12, 2018 are entitled to notice of, and to vote at, the meeting or any reconvened meeting following any adjournment or postponement thereof.

We are first sending this proxy statement and the enclosed proxy form to stockholders on or about January 26, 2018.

We believe that it is desirable that as large a proportion as possible of the stockholders' interests be represented at our Annual Meeting. **Whether or not you plan to attend our Annual Meeting, we request that you properly date and sign the enclosed form of proxy and promptly return it to us using the enclosed addressed and stamped envelope.** If you are present at the meeting and wish to do so, you may revoke the proxy and vote in person. If, however, you hold your shares through a nominee or broker, you must obtain a signed proxy from the broker in order to be able to vote in person.

By order of the Board of Directors,

TODD R. MOORE

TODD R. MOORE

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*Executive Vice President, Chief Legal, Risk & Compliance Officer and Corporate Secretary*

Houston, Texas  
January 26, 2018

**Important Notice Regarding the Availability of  
Proxy Materials for the Stockholder Meeting to Be Held February 28, 2018**

The Notice of Annual Meeting of Stockholders, our Proxy Statement and our Annual Report to Stockholders are available at [www.edocumentview.com/NCS](http://www.edocumentview.com/NCS).

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FOR  
ANNUAL MEETING OF STOCKHOLDERS  
To Be Held February 28, 2018**

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**NCI BUILDING SYSTEMS, INC.**  
**10943 North Sam Houston Parkway West**  
**Houston, Texas 77064**  
**(281) 897-7788**

PROXY STATEMENT  
FOR  
ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD FEBRUARY 28, 2018

This proxy statement is furnished to stockholders of NCI Building Systems, Inc. ( NCI, the Company, we, and us ) in connection with the solicitation of proxies to be used at our Annual Meeting of Stockholders (the Annual Meeting ) to be held on February 28, 2018 at 10:00 a.m. CST. By granting a proxy, you authorize the persons named in the proxy to represent you and vote your shares at the Annual Meeting. Those persons will also be authorized to vote your shares to adjourn the Annual Meeting from time to time and to vote your shares at any adjournments or postponements of the Annual Meeting. Stockholders have a choice of voting over the Internet, at [www.investorvote.com/NCS](http://www.investorvote.com/NCS), by telephone using the number 1-800-652-8683, or using a traditional proxy card. The deadline for voting by telephone or electronically is 5:00 p.m. CST, on February 27, 2018.

If you give a proxy on the enclosed form, or by telephone or the Internet, you may revoke it at any time before it is exercised at the Annual Meeting by (1) delivering written notice of revocation to the Corporate Secretary of NCI, (2) signing, dating and delivering to the Corporate Secretary of NCI a later dated proxy at our principal executive offices, which are located at 10943 North Sam Houston Parkway West, Houston, Texas 77064, or (3) attending and voting in person by completing a ballot at the Annual Meeting. Attendance at the Annual Meeting will not, in itself, constitute revocation of a completed and delivered proxy card.

If you are a street name stockholder (meaning that your shares are held in a brokerage account by a bank, broker or other nominee) and you vote by proxy, you may change your vote by submitting new voting instructions to your bank, broker or nominee in accordance with that entity's procedures.

We are first sending this proxy statement and the enclosed proxy form to stockholders on or about January 26, 2018.

## **ACTION TO BE TAKEN AT ANNUAL MEETING**

When you have appropriately specified how your proxy should be voted, the proxy will be voted accordingly. If you properly complete and return a proxy, but do not indicate any contrary voting instructions, your shares will be voted as follows:

**FOR** Proposal 1, the election as directors of the nominees listed under Election of Directors;

**FOR** Proposal 2, the amendment and restatement of NCI's 2003 Long-Term Stock Incentive Plan;

**FOR** Proposal 3, the ratification of Ernst & Young LLP as NCI's independent registered public accountants for the fiscal year ending October 28, 2018 ( Fiscal 2018 ); and

At the discretion of the proxy holders, either **FOR** or **AGAINST** any other matter or business that may properly come before the Annual Meeting.

As of the date hereof, our Board of Directors (our Board ) is not aware of any other such matter or business to be transacted at our Annual Meeting. If other matters requiring a vote of the stockholders arise, the persons designated as proxies will vote the shares of common stock of the Company, par value \$0.01 per share (the Common Stock ), represented by the proxies in accordance with their judgment on those matters.

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TABLE OF CONTENTS**SOLICITATION OF PROXIES**

Our Board is soliciting proxies from the holders of record of our Common Stock at the close of business on January 12, 2018. We will bear the entire cost of soliciting proxies, including the cost of the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to our stockholders in connection with the Annual Meeting, and no other person or persons will bear those costs either directly or indirectly.

The solicitation of proxies by our Board of Directors will be conducted primarily by mail. In addition, our officers, directors and employees may solicit proxies personally or by telephone, facsimile or electronic means. These officers, directors and employees will not receive any extra compensation for these services, but may be reimbursed for their reasonable expenses in forwarding solicitation material.

Our transfer agent, Computershare Trust Company, N.A., will assist us in the distribution of proxy materials and will provide voting and tabulation services for the Annual Meeting. For these services, we estimate that we will pay approximately \$45,000 in the aggregate for fees and expenses. In addition, we will reimburse brokers, custodians, nominees and fiduciaries for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of our Common Stock.

**OUTSTANDING CAPITAL STOCK**

The record date for stockholders entitled to notice of, and to vote at, the Annual Meeting is January 12, 2018. At the close of business on that date, we had 66,142,975 shares of Common Stock issued and outstanding and entitled to be voted at the Annual Meeting. Each share of Common Stock outstanding on the record date is entitled to one vote.

Unless otherwise noted, the following tables set forth, as of January 12, 2018 (the Ownership Date), the number of shares of our equity securities beneficially owned by (1) each person or group known by us to own beneficially more than 5% of the outstanding shares of any class of our equity securities, (2) each director and nominee for director, (3) each of our executive officers identified under the caption Executive Compensation, and (4) all current directors and executive officers as a group. Except as otherwise indicated, each of the persons or groups named below has sole voting power and investment power with respect to the Common Stock. Unless otherwise noted, the mailing address of each person or entity named below is 10943 North Sam Houston Parkway West, Houston, Texas 77064.

Name of Beneficial Owner or Group	Beneficial Ownership <sup>(1)</sup>	
	Number of Shares	Percent
	<b>Common Stock</b>	
Clayton Dubilier & Rice Fund VIII, L.P. <sup>(2)</sup>	22,744,822	34.39
CD&R Friends & Family Fund VIII, L.P. <sup>(2)</sup>	56,941	*
Norman C. Chambers <sup>(3)</sup>	277,564	*
Kathleen J. Affeldt <sup>(3)</sup>	32,736	*
George L. Ball <sup>(3)</sup>	70,211	*
James G. Berges <sup>(3)(4)</sup>	29,417	*
Gary L. Forbes <sup>(3)</sup>	62,273	*
John J. Holland <sup>(3)</sup>	16,000	*
Mark E. Johnson <sup>(3)</sup>	192,959	*
Lawrence J. Kremer <sup>(3)</sup>	30,014	*

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John L. Kuzdal <sup>(3)</sup>	92,462	*
George Martinez <sup>(3)</sup>	51,345	*
James S. Metcalf <sup>(3)</sup>	30,000	*
Todd R. Moore <sup>(3)</sup>	35,639	*
Donald R. Riley <sup>(3)</sup>	67,022	*
Nathan K. Sleeper <sup>(3)(4)</sup>	29,417	*
Katy K. Theroux <sup>(3)</sup>	18,978	*
William R. VanArsdale <sup>(3)</sup>	0	*
Jonathan L. Zrebiec <sup>(3)(4)</sup>	29,417	*
All directors and executive officers as a group (19 persons) <sup>(4)(5)</sup>	1,019,595	1.54

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Less than 1%.

(1) Includes shares beneficially owned by the listed persons, including unvested restricted shares granted in December 2017 and prior years, shares owned under our 401(k) Profit Sharing Plan and phantom units owned under our Deferred Compensation Plan, but does not include any of the performance share units granted to the listed persons in December 2015, December 2016 and December 2017 (see Compensation Discussion & Analysis Long-Term Incentive Compensation ). If a person has the right to acquire beneficial ownership of any shares by exercise of options or by reason of the vesting of restricted stock units previously granted within 60 days after the Ownership Date, those shares are deemed beneficially owned by that person as of the Ownership Date and are deemed to be outstanding solely for the purpose of determining the percentage of the Common Stock that he or she owns. Those shares are not included in the computations for any other person. Please see the tables accompanying footnotes 3 and 5 below for additional information regarding equity compensation awards held by the listed persons.

(2) Unless otherwise indicated, Clayton, Dubilier & Rice Fund VIII, L.P. and CD&R Friends & Family Fund VIII, L.P. are referred to collectively as the Investors. Does not include 88,852 restricted shares of Common Stock and 32,374 restricted stock units issued to Clayton, Dubilier & Rice, LLC ( CD&R, LLC ), as assignee of director compensation payable to Messrs. James G. Berges, Nathan K. Sleeper and Jonathan L. Zrebiec.

The general partner of each of the Investors is CD&R Associates VIII, Ltd., whose sole stockholder is CD&R Associates VIII, L.P. The general partner of CD&R Associates VIII, L.P. is CD&R Investment Associates VIII, Ltd.

CD&R Investment Associates VIII, Ltd. is managed by a two-person board of directors. Donald J. Gogel and Kevin J. Conway, as the directors of CD&R Investment Associates VIII, Ltd., may be deemed to share beneficial ownership of the shares of Common Stock shown as beneficially owned by the Investors. Such persons expressly disclaim such beneficial ownership. Investment and voting decisions with respect to shares held by each of the Investors are made by an investment committee of limited partners of CD&R Associates VIII, L.P., currently consisting of more than ten individuals (the Investment Committee ). The CD&R investment professionals who have effective voting control of the Investment Committee are Michael G. Babiarz, Vindi Banga, James G. Berges, John C. Compton, Kevin J. Conway, Thomas C. Franco, Kenneth A. Giuriceo, Donald J. Gogel, Marco Herbst, George K. Jaquette, John Krenicki, Jr., David A. Novak, Paul S. Pressler, Christian Rochat, Richard J. Schnall, Nathan K. Sleeper, Sonja Terraneo and David H. Wasserman. All members of the Investment Committee expressly disclaim beneficial ownership of the shares shown as beneficially owned by the Investors.

Each of CD&R Associates VIII, L.P., CD&R Associates VIII, Ltd. and CD&R Investment Associates VIII, Ltd. expressly disclaims beneficial ownership of the shares held by the Investors and the restricted shares held by CD&R, LLC as assignees of director compensation payable to Messrs. Berges, Sleeper and Zrebiec. The Investors expressly disclaim beneficial ownership of the restricted shares held by CD&R, LLC as assignees of director compensation payable to Messrs. Berges, Sleeper and Zrebiec. CD&R, LLC expressly disclaims beneficial ownership of the shares held by the Investors.

The address for the Investors, CD&R Associates VIII, L.P., CD&R Associates VIII, Ltd. and CD&R Investment Associates VIII, Ltd. is c/o Maples Corporate Services Limited, P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands. The address for CD&R, LLC is 375 Park Avenue, 18<sup>th</sup> Floor, New York, NY 10152.

(3) The number of shares of Common Stock beneficially owned by each person includes options exercisable on the Ownership Date but excludes options not exercisable within 60 days after the Ownership Date. No currently unexercisable options would become exercisable within 60 days after the Ownership Date. The number of shares of Common Stock beneficially owned by each person also includes unvested shares of restricted stock. Each owner of shares of issued but unvested restricted stock has the right to vote his or her shares but may not transfer them

until they have vested. The number of shares of Common Stock beneficially owned by each person also does not include unvested restricted stock units (other than 2,327 restricted stock units held by Mr. Chambers, which will become vested in the 60 days after the Ownership Date) and performance share units. For more information about outstanding restricted stock units and performance share units, see Compensation Discussion & Analysis Long-Term Incentive Compensation.

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	Options Exercisable (included in the table above)	Not Exercisable Within 60 Days (not included in the table above)	Unvested Restricted Stock (included in the table above)	Unvested Restricted Stock Units (not included in the table above)
Norman C. Chambers				2,977
Kathleen J. Affeldt	21,788		879	5,580
George L. Ball			954	5,580
James G. Berges <sup>(4)</sup>				
Gary L. Forbes	12,405	1,758		5,580
John J. Holland	36,380	879	440	5,580
Mark E. Johnson				50,059
Lawrence J. Kremer	9,234		879	5,580
John L. Kuzdal	150,148			27,433
George Martinez			879	5,580
James Metcalf				11,159
Todd R. Moore				25,214
Donald R. Riley			5,513	95,105
Nathan K. Sleeper <sup>(4)</sup>				
Katy K. Theroux			1,900	28,984
William R. VanArsdale				5,580
Jonathan L. Zrebiec <sup>(4)</sup>				

Does not include 22,801,763 shares of Common Stock held by investment funds associated with or designated by CD&R, LLC, 88,252 restricted shares of Common Stock issued to CD&R, LLC, or 32,374 restricted stock units issued to CD&R, LLC, as assignee of compensation payable to Messrs. Berges, Sleeper and Zrebiec. Messrs. (4) Berges, Sleeper and Zrebiec are members of our Board and executives of CD&R, LLC. Messrs. Berges, Sleeper and Zrebiec disclaim beneficial ownership of the shares held by CD&R, LLC and by investment funds associated with or designated by CD&R, LLC.

The number of shares of Common Stock beneficially owned by each director and executive officer as a group includes beneficial ownership of the additional officers listed in the table below. As with the officers and directors listed individually, the number of shares of Common Stock beneficially owned by each person includes options exercisable on the Ownership Date and options or restricted stock units previously granted that become exercisable (5) or vest, as applicable, within 60 days after the Ownership Date and excludes options not exercisable other than those vesting within 60 days after the Ownership Date. The number of shares of Common Stock beneficially owned by each person also includes unvested shares of restricted stock. Each owner of restricted stock has the right to vote his or her shares but may not transfer them until they have vested. The number of shares of Common Stock beneficially owned by each person also does not include unvested restricted stock units and performance share units (other than those vesting within 60 days after the Ownership Date).

	Options Exercisable (included in the table above)	Not Exercisable Within 60 Days (not included in the table above)	Unvested Restricted Stock (included in the table above)	Unvested Restricted Stock Units (not included in the table above)
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Bradley S. Little  
Robert D. Ronchetto

17,079  
14,811

## QUORUM AND VOTING

The presence in person or by proxy of the holders of a majority of the voting power of the stock entitled to vote at an Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Each outstanding share of Common Stock is entitled to one vote. All routine matters will be decided by the vote of a majority of the votes cast by the stockholders present in person or by proxy and entitled to vote on the matter, a quorum being present.

Those nominees receiving a plurality of all of the votes cast on Proposal 1 at the Annual Meeting shall be elected to our Board. Clayton, Dubilier & Rice Fund VIII, L.P. and CD&R Friends & Family Fund VIII, L.P., referred to collectively as the Investors, which own or beneficially own shares of Common Stock

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representing approximately 34.47% of our outstanding voting power as of January 12, 2018, have expressed their intention to vote for the election as directors each of the nominees listed under Election of Directors.

In accordance with rules of the New York Stock Exchange, or NYSE, approval of Proposal 2, to amend and restate our 2003 Long-Term Stock Incentive Plan, requires the affirmative vote of a majority of the votes cast on the proposal provided that the total votes cast on the proposal represent over 50% of the stock entitled to vote on the proposal. The Investors, which own or beneficially own shares of Common Stock representing approximately 34.47% of our outstanding voting power, have expressed their intention to vote in favor of the amendment and restatement of our 2003 Long-Term Stock Incentive Plan.

The total number of votes cast on Proposal 3, for ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 28, 2018, must represent at least the majority of the votes cast in person or by proxy at the Annual Meeting.

Abstentions are counted for the purpose of determining the presence of a quorum at the Annual Meeting. An abstention has no effect on Proposal 1. With respect to Proposal 2 and Proposal 3, an abstention has the same effect as a vote against these proposals.

Brokers holding shares must vote according to specific instructions they receive from the beneficial owners. Broker non-votes occur when brokers do not have discretionary voting authority to vote certain shares held in street name on particular proposals under the NYSE rules, and the beneficial owner of those shares has not instructed the broker to vote on those proposals. The NYSE's Rule 452 precludes brokers from voting on non-discretionary proposals without specific instructions from the beneficial owner.

If you are a beneficial owner, your bank, broker, dealer, custodian or other nominee is permitted to vote your shares only with regard to Proposal 3 to ratify the appointment of the independent registered public accounting firm, even if the holder does not receive voting instructions from you. A broker non-vote is treated as present for purposes of determining the existence of a quorum. For purposes of electing directors, a broker non-vote will not affect the outcome of the elections.

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## **PROPOSAL 1: ELECTION OF DIRECTORS**

Our Restated Certificate of Incorporation (the Certificate of Incorporation ) and Fifth Amended and Restated By-Laws (the By-Laws ) provide that the number of directors on our Board shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of our Board. The number of members constituting our Board is currently fixed at twelve, including one vacancy as of the date hereof.

In accordance with our Certificate of Incorporation and By-Laws, our Board is divided into three classes, as nearly equal in number as reasonably possible, and members are elected for a term of office expiring at the third succeeding annual stockholders meeting following their election to office or until a successor is duly elected and qualified. Except as otherwise provided by the Stockholders Agreement by and between us and the Investors dated as of October 20, 2009 (the Stockholders Agreement ), under our By-Laws, newly created directorships resulting from any increase in the authorized number of directors or any vacancies on our Board resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled only by a majority of the votes that can be cast by directors then in office, though less than a quorum, and directors so chosen hold office until the Annual Meeting of stockholders at which the term of office of the class to which the director has been elected expires. The terms of office of each of the Class I directors expire at this Annual Meeting and the terms of office of each of the Class II and Class III directors expire at the Annual Meetings in 2019 and 2020, respectively. Under our By-Laws, no person may stand for election as a director if, on the date of any annual or special meeting held for the purpose of electing directors, such person shall have surpassed the age of 75; however, those directors who are then serving on the board of directors and have already reached the age of 75 as of November 16, 2017 may stand for election as a director if, on the date of any annual or special meeting held for the purpose of electing directors, such person shall not have surpassed the age of 78.

Four Class I directors are to be elected at the Annual Meeting for a term expiring at the Annual Meeting to be held in 2021, or until their respective successors are duly elected and qualified or until their resignation. If, at the time of or prior to our Annual Meeting, any of the nominees should be unable or decline to serve, the discretionary authority provided in the proxy may be used to vote for a substitute or substitutes designated by our Board. Our Board has no reason to believe that any substitute nominee or nominees will be required. However, if a nominee should become unable or unwilling to serve for any reason, proxies may be voted for another person nominated as a substitute by our Board, or our Board may reduce its size. No proxy will be voted for a greater number of persons than the number of nominees named herein.

Our Board believes that each of our directors is highly qualified to serve as a member of our Board. Each of the directors has contributed to the mix of skills, core competencies and qualifications of our Board. Our directors are highly educated and have diverse backgrounds and talents and extensive track records of success in what we believe are highly relevant positions with some of the most reputable organizations in the world. Our Board has also considered the fact that all of our directors have worked for, or served on the boards of directors of, a variety of companies in a wide range of industries. Many of our directors also have served as directors of our company for many years and benefit from an intimate knowledge of our operations and corporate philosophy. Our Board believes that through their varying backgrounds, our directors bring a wealth of experiences and new ideas to our Board.

Described in the following pages are the principal occupations and positions and directorships for at least the past five years of our directors and director nominees, as well as certain information regarding their individual experience, qualifications, attributes and skills that led our Board to conclude that they should serve on the Board. There are no family relationships among any of our directors or executive officers.



## **Nominees for Election as Director**

### **Class I Nominees for Election as Directors Who Serve Until the Annual Meeting to be Held in 2021:**

#### **James G. Berges**

Mr. Berges, age 70, has served as a director since October 2009. Mr. Berges is the Chairman of the Executive Committee and the Nominating and Corporate Governance Committee of our Board of Directors. Mr. Berges is a partner of CD&R, LLC, having become a partner of CD&R, Inc. in 2006. Prior to that, he was President of Emerson Electric Co. from 1999 until his retirement in 2005. Emerson Electric Co. is a global manufacturer of products, systems and services for industrial automation, process control, HVAC,

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electronics and communications, and appliances and tools. He is also a director of PPG Industries, Inc., a public company, a director of Atkore International Group Inc, a public company, and the Chairman of the Board of Core & Main LP. From November 2009 to August 2010, Mr. Berges was a director of Diversey, Inc. from October 2006 to August 2012, he was Chairman of the Board of Sally Beauty Holdings, Inc., a public company, and from August 2007 to November 2015, he was Chairman of the Board and then independent Lead Director of HD Supply Holdings, Inc., a public company. Mr. Berges previously served as Chairman of the Board of Hussmann International, Inc. from 2011 to 2016. Mr. Berges holds a B.S. in electrical engineering from the University of Notre Dame.

Director Qualifications: Mr. Berges' former leadership role at a global manufacturer provides our Board of Directors with valuable insight into the numerous operational, financial and strategic issues we face. Further, Mr. Berges' service on the boards of other public and private companies provides our Board of Directors with valuable insight into the challenges currently faced by companies in a variety of markets.

## **William R. VanArsdale**

William R. VanArsdale, age 66, has served as a director of NCI since April 2017. Mr. VanArsdale serves on the Nominating & Corporate Governance Committee. Mr. VanArsdale served as Group President of Eaton Corporation plc, a diversified power management company, where he led the hydraulics, filtration and golf grip business units, from 2004 until his retirement in August 2015. From 2001 to 2004, Mr. VanArsdale was President of Electrical Components Operation at Eaton, where he was also Operations Vice President of Global Sales and Service from 1999 to 2001. Prior to that, he spent 12 years in various leadership roles at Rockwell Automation. Mr. VanArsdale currently serves as a director of SunSource Holdings Inc. and Atkore International Group, Inc., a public company. Mr. VanArsdale holds a B.S. from Villanova University.

Director Qualifications: Mr. VanArsdale's broad operations, sales and leadership experience in the manufacturing sector provide our Board with insight into challenges and opportunities for large, complex manufacturing operations.

## **Lawrence J. Kremer**

Mr. Kremer, age 76, has served as a director since October 2009. Mr. Kremer serves on the Nominating and Corporate Governance Committee of our Board of Directors. Mr. Kremer retired in 2007 from Emerson Electric Co., having served as Corporate Vice President of Global Materials. Prior to that, Mr. Kremer was employed by Whirlpool Corporation, a worldwide producer of appliances, as Senior Vice President of International Operations and Global Materials. Mr. Kremer currently serves as a director of Fifth Third Bank Southern Region and St. Mary's Hospital System, a Midwest Regional Hospital. Mr. Kremer previously served as Chairman of the Board of Trustees of the University of Evansville. Mr. Kremer holds a B.S. and an M.B.A. from the University of Evansville.

Director Qualifications: Mr. Kremer's leadership roles in global manufacturing bring to our Board of Directors an understanding of the global business environment and valuable insight into the operations of large, complex manufacturing operations.

## **John J. Holland**

Mr. Holland, age 67, has served as a director since November 2009. Mr. Holland serves on the Affiliate Transactions Committee, Audit Committee, Compensation Committee and Nominating & Corporate Governance Committee of our Board of Directors. Mr. Holland served as the President of the International Copper Association from February 2012

until his retirement in November 2015. The International Copper Association is a marketing association for the copper industry. Mr. Holland has been the President of Greentree Advisors, LLC since October 2004. Mr. Holland was the President, Chief Operating Officer and Chief Financial Officer of MMFX Technologies Corporation, a privately held steel manufacturing firm, from 2008 until 2009. Prior to that, Mr. Holland was the Executive Vice President and Chief Financial Officer of Alternative Energy Sources, Inc., an ethanol producer, from August 2006 until June 2008. Mr. Holland previously was employed by Butler Manufacturing Company, a producer of pre-engineered building systems, supplier of architectural aluminum systems and components and provider of construction and real estate services for the nonresidential construction market, from 1980 until his retirement in 2004. Prior to his retirement from Butler, Mr. Holland served as Chairman of the Board from 2001 to 2004, as Chief

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Executive Officer from 1999 to 2004 and as President from 1999 to 2001. Mr. Holland currently serves as a director and on the audit committee of Cooper Tire & Rubber Co., and as a director and on the audit and compensation committees of Saia, Inc. (formerly SCS Transportation, Inc.). Mr. Holland holds B.S. and M.B.A. degrees from the University of Kansas and is a certified public accountant.

**Director Qualifications:** Mr. Holland's extensive career in the metal building industry, including his role as a chief executive officer of a public company, provides the Board with perspective on the particular strategic, manufacturing, sales and marketing, compensation and personnel issues faced by companies in our industry. Further, Mr. Holland's extensive financial and accounting background as a former chief financial officer and a certified public accountant provides the Audit Committee with valuable expertise.

## **Vote Required**

The affirmative vote of a plurality of all of the votes cast at the Annual Meeting is required for approval of each of the nominees for Class I director in this Proposal 1. If you own shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record how to vote in order for them to vote your shares so that your vote can be counted on this proposal.

The Investors, which own or beneficially own shares of Common Stock representing approximately 34.47% of the outstanding voting power of NCI as of January 12, 2018, have expressed their intention to vote For each of the Class I nominees listed above in this Proposal 1.

## **Recommendation of Our Board of Directors**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION OF EACH OF THE CLASS I NOMINEES LISTED ABOVE.**

## **Directors Remaining in Office**

### **Class II Directors Who Serve Until the Annual Meeting to Be Held in 2019:**

#### **James S. Metcalf**

James Metcalf, age 60, has served as a director since May 2017 and as the chairman of our Board of Directors since January 1, 2018. Mr. Metcalf serves on the Compensation Committee, Nominating and Corporate Governance Committee and Executive Committee of our Board of Directors. Mr. Metcalf retired in October 2016 as the Chairman, President and Chief Executive Officer of USG Corporation. At the time of his retirement, he had served as Chairman since December 2011 and had served as Chief Executive Officer and President since January 2011. From January 2006 through January 2011, he was President and Chief Operating Officer of USG. Prior to that, Mr. Metcalf held many positions at USG including president, Building Systems; president and chief executive officer, L&W Supply; senior vice president, Sales and Marketing, USG Interiors, Inc.; vice president, National Accounts, United States Gypsum Company; director, Retail Marketing, USG Corporation; director, Retail Sales, USG Interiors, Inc.; and national accounts manager, United States Gypsum Company. Mr. Metcalf is a director of Tenneco Inc. Mr. Metcalf is a policy advisory board member for the Joint Center for Housing Studies at Harvard University. Mr. Metcalf holds a bachelor's degree from The Ohio State University. He also holds a master's degree in business administration from

Pepperdine University and Stanford University SEP.

Director Qualifications: Mr. Metcalf's extensive career in a building materials company, including his former role as a chief executive officer and chairman of its board of directors, provides the Board with a deep understanding of the industry in which we participate and insight into corporate governance practices, strategy, operations, finance, technology, innovation, and compensation policies and practices.

## **Gary L. Forbes**

Mr. Forbes, age 73, has served as a director since December 1991. Mr. Forbes serves on the Executive Committee, Affiliate Transactions Committee and the Nominating and Corporate Governance Committee, and is the Chairman of the Audit Committee of our Board of Directors. In addition, Mr. Forbes is our designated Audit Committee financial expert. Mr. Forbes was a Senior Vice President of Equus Total Return, Inc., an investment company, from November 1991 until his retirement in March 2010. Mr. Forbes was a director of Consolidated Graphics, Inc., a publicly traded commercial printing company, where he served on its audit

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committee, from 1993 until January 2014. Mr. Forbes previously served on the board of directors of Carriage Services, Inc., a publicly traded funeral services company, from May 2007 to February 2009. Mr. Forbes earned a B.B.A. in Accounting from the University of Texas at Austin and is a certified public accountant.

Director Qualifications: Mr. Forbes' background has provided our Board of Directors with valuable financial and accounting expertise as our financial expert on the Audit Committee of our Board of Directors. Additionally, having served as a member of our Board of Directors since 1991, Mr. Forbes has a deep historical understanding of our business, operations and culture.

## **George Martinez**

Mr. Martinez, age 76, has served as a director since March 2003. He serves on the Audit Committee, the Compensation Committee, and the Affiliate Transactions Committee of our Board of Directors. Mr. Martinez is the Chairman and Chief Executive Officer of Allegiance Bancshares, Inc., a publicly traded bank holding company (ABTX Nasdaq) which owns Allegiance Bank, a Texas banking association headquartered in Houston, Texas that opened for business in October 2007. He has been active as a bank executive in Houston for over 40 years and is the former Chairman of Sterling Bancshares, Inc., a publicly traded bank holding company (SBIB Nasdaq). Mr. Martinez served as President of Chrysalis Partners, LLC, a performance consulting firm, from 1999 to 2008. He serves his community on the boards of directors of the University of St. Thomas and Collaborative for Children. Mr. Martinez has a B.A. in Business Administration and Economics from Rice University.

Director Qualifications: Mr. Martinez's background and experience in performance consulting and as an executive in the banking industry allow him to provide to the Board valuable financial, accounting and operational expertise. Additionally, having served as a member of our Board of Directors since 2003, Mr. Martinez has a high degree of familiarity with our business, operations and culture.

## **Jonathan L. Zrebiec**

Mr. Zrebiec, age 38, has served as a director since November 2009. Mr. Zrebiec is a partner of CD&R, LLC, the successor to the investment management business of CD&R, Inc., which he joined in 2004. Prior to joining CD&R, Inc., he was employed by Goldman, Sachs & Co. in the Investment Banking Division. He currently serves as a director of Atkore International Group, Inc., a public company, Wilsonart International Holdings LLC, Brand Energy & Infrastructure Services, Inc., Core & Main LP and SunSource Holdings, Inc. Mr. Zrebiec was a director of Roofing Supply Group, LLC from May 2012 to September 2015 and was a director of Hussmann International, Inc. from October 2011 to April 2016. Mr. Zrebiec holds a B.S. in Economics from the University of Pennsylvania and holds an M.B.A. from Columbia University.

Director Qualifications: Mr. Zrebiec's experience in the financial and investing community provides our Board with insight into business strategy, improving financial performance and the economic environment in which we operate.

## **Class III Directors Who Serve Until the Annual Meeting to be Held in 2020:**

### **Donald R. Riley**

Mr. Riley, age 55, has served as our Chief Executive Officer since July 2017, as President since January 2016 and as President of our Group Business Segment from December 2014 to January 2016. Mr. Riley has also served on the

Board of Directors and on its Executive Committee since July 2017. Before joining NCI, Mr. Riley was employed by Probuild Holdings, LLC, a supplier of building materials to production builders, custom builders, local contractors and project oriented consumers, where he served as Executive Vice President from November 2011 to November 2014. As

Executive Vice President, Mr. Riley managed the supply chain, manufacturing, construction services, marketing, pricing, information technology, strategy and business project management office functions. Prior to joining Probuild Holdings, Mr. Riley was employed by Mohawk Industries, Inc., a floor covering company, from September 2004 to November 2011, serving in various capacities such as Chief Information Officer, Senior Vice President Logistics, and Interim Flooring Executive Vice President Customer Experience. At Mohawk Industries, Mr. Riley was responsible for its global information systems, North America logistic functions, and the flooring segment's customer service function. Mr. Riley has a B.S. in Engineering from the University of Tennessee at Knoxville.

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Director Qualifications: Mr. Riley's experience in executive leadership positions within NCI and experience with other manufacturing companies provides our Board of Directors with important experience to serve as a director.

## **Kathleen J. Affeldt**

Ms. Affeldt, age 69, has served as a director since November 2009. Ms. Affeldt is the Chairperson of the Compensation Committee of our Board of Directors. Ms. Affeldt retired from Lexmark International, a developer, manufacturer and supplier of printing and imaging solutions for offices and homes, in February 2003, where she had been Vice President of Human Resources since July 1996. She joined Lexmark when it became an independent company in 1991 as the Director of Human Resources. Ms. Affeldt began her career at IBM in 1969, specializing in sales of supply chain systems. She later held a number of human resources management positions. Ms. Affeldt has served as a director of SIRVA, Inc. and as chair of that board's compensation committee. She also served as a director of Sally Beauty Holdings, Inc., and as the chair of that board's compensation committee. She currently serves as a director of BTE Technologies, Inc., and as a director and chair of the compensation committee of HD Supply Holdings, Inc. Ms. Affeldt attended the State University of New York and Hunter College in New York City, majoring in Business Administration.

Director Qualifications: Ms. Affeldt's experience in large, multinational companies in general, as well as in the human resources field in particular, provides our Board of Directors with insight into the attraction, motivation and retention of personnel. Additionally, her service on the boards of other public companies brings to our Board of Directors valuable insight into the strategic, financial and personnel challenges faced by companies similar to NCI.

## **George L. Ball**

Mr. Ball, age 59, has served as a director since February 2014. He serves on the Audit Committee, Compensation Committee and Affiliate Transactions Committee of our Board of Directors. Mr. Ball is the Chief Financial Officer of Parsons Corporation, a global engineering and construction services company that was established in 1944. Mr. Ball joined Parsons in 1995 and has held varying positions of increasing responsibility and was promoted to Chief Financial Officer in 2008. Mr. Ball was formerly a senior accountant with Coopers & Lybrand LLP, now known as PricewaterhouseCoopers LLP. Mr. Ball currently serves as a director of Wells Fargo Real Estate Investment Corporation, a publicly traded real estate investment trust, and is a member of its audit committee. Mr. Ball earned his B.S. in Accounting from Drexel University.

Director Qualifications: Mr. Ball's background and experience as an executive in a large, multinational engineering and construction services company provides the Board with perspective on strategic, financial, compensation, management development and sales issues. Mr. Ball's extensive experience and financial and accounting background as a chief financial officer provides the Audit Committee with valuable experience. Mr. Ball's extensive financial experience and knowledge of compensation program design provide the Compensation Committee with valuable experience.

## **Nathan K. Sleeper**

Mr. Sleeper, age 44, has served as a director since October 2009. Mr. Sleeper serves on the Compensation Committee and Executive Committee of our Board of Directors. Mr. Sleeper is a partner of CD&R, LLC, having joined CD&R, Inc. in 2000. Prior to joining CD&R, Inc., he was employed by Goldman, Sachs & Co. in the Investment Banking Division. He has also been employed by Tiger Management. He currently serves as a director of Atkore International



Group, Inc., a public company, Wilsonart International Holdings LLC, Brand Energy & Infrastructure Services, Inc., Beacon Roofing Supply, Inc., a public company, SunSource Holdings, Inc., and Core & Main LP. Mr. Sleeper was a director of HD Supply Holdings, Inc., a public company, Hussmann International, Inc., U.S. Foods, Inc., Hertz Global Holdings, a public company, and CHC Group Ltd. Mr. Sleeper holds a B.A. from Williams College and an M.B.A. from Harvard Business School.

Director Qualifications: Mr. Sleeper's broad experience in the financial and investment communities brings to our Board of Directors important insights into business strategy and areas to improve our financial performance.

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## **PROPOSAL 2: APPROVAL OF AN AMENDMENT TO THE 2003 LONG-TERM STOCK INCENTIVE PLAN**

On January 26, 2018 our Board approved an amendment to our 2003 Long-Term Stock Incentive Plan (as amended, the Incentive Plan ). Our stockholders originally approved the Incentive Plan at the annual meeting of stockholders held on March 14, 2003, and our stockholders approved amended and restated plans at the annual meetings of stockholders held on March 12, 2008, February 19, 2010 and February 26, 2013. The proposed amended and restated Incentive Plan, including the amendment approved by the Board on January 26, 2018, is set forth in Annex A to this proxy statement also incorporates a revised definition of Change in Control effective as of May 31, 2016. If our stockholders do not approve the amended and restated Incentive Plan, the Incentive Plan will remain in effect in its current form.

The amendment of the Incentive Plan will, among other things, increase the number of shares of Common Stock reserved for issuance under the Incentive Plan by 1,950,000 shares of Common Stock, subject to approval by the stockholders of NCI. Currently, a maximum of 11,400,000 shares of Common Stock are reserved for awards under the Incentive Plan, of which 1,498,998 shares remain available for future grants under the Incentive Plan as of January 12, 2018. Accordingly, if the proposal is approved by our stockholders, a total of 13,350,000 shares of Common Stock will be reserved for awards available for grant under the Incentive Plan.

Our Board believes that the additional 1,950,000 shares that would be available for grant under the Incentive Plan, if the amendment is approved, would provide sufficient shares for our equity-compensation program needs for approximately four years after the effective date of the amendment. This estimate is based on our average burn rate over the past three years (approximately 0.82%) as described below, taking into account estimates for growth, use of performance awards and the need for flexibility around the types of awards that may need to be granted (although actual grants could be materially different from his estimate). If stockholders do not approve the amendment to the Incentive Plan, we expect the number of shares reserved for awards to be substantially depleted by the end of the 2019 fiscal year, based on the historic burn rate as calculated below.

In addition to the increase in the number of shares available for grant under the Incentive Plan, the other principal substantive changes to the 2003 Long-Term Incentive Plan include:

adding an annual \$500,000 per-individual limit on non-employee director compensation, consistent with developing corporate governance practices;  
prohibiting payment of dividends, dividend equivalents and other distributions in respect of unvested stock-based awards;

bolstering restraints on repricing of stock options and stock appreciation rights; and  
updating tax withholding provisions to conform to changes to recent Generally Accepted Accounting Principles.  
The Board considered various aspects of the Incentive Plan in approving this amendment, including the number of shares reserved under the Incentive Plan, the number of shares currently available for awards under the Incentive Plan, the Company's historic grant practices, the cost of issuing additional shares, the impact of share dilution on our existing shareholders and the central role of equity-based incentive compensation in our executive compensation program. The Board believes that the proposed increase in the number of shares available for issuance under the Incentive Plan is necessary for retaining the flexibility to grant equity-based incentive compensation at optimal levels to motivate and reward the Company's employees for their contributions to the success of the Company and the growth

in value of our stock.

If the amendment is not approved by our stockholders, our future ability to issue equity-based awards will be limited.

As a result, our ability to align employee compensation with stockholders would be constrained. In addition, the inability to maintain our equity award program could impede our ability to attract and retain qualified employees and, under current accounting rules, result in increased volatility of reported earnings if it is necessary to replace stock-settled awards with cash-settled awards.

TABLE OF CONTENTS**Incentive Plan Share Utilization Rate and Overhang**

Following is a calculation of our share utilization, or burn rate for the last three fiscal years:

	FY 2017	FY 2016	FY 2015	Average
(a) Restricted shares, restricted stock units and performance stock units granted <sup>(1)</sup>	705,765	917,096	725,351	782,737
(b) Shares underlying options granted <sup>(1)</sup>	10,424	28,535	10,543	16,501
(c) Net increase in diluted shares due to equity awards (a+b) <sup>(1)</sup>	716,189	945,631	735,894	799,238
(d) Weighted-average basic shares outstanding	70,629,000	72,411,000	73,271,000	72,103,667
(e) Burn rate (c/d) <sup>(2)</sup>	1.01%	1.31%	1.0%	1.11%

(1) Reflects the gross number of shares underlying awards made to employees during the respective year

(2) Not adjusted for forfeitures, withholding and expirations (which would reduce burn rate if taken into account)

The Board recognizes that the increase in the number of shares under the Incentive Plan will result in additional dilution or overhang for our stockholders, although the incremental dilution would not be material. As commonly calculated, the total potential overhang resulting from the amendment of the Incentive Plan would be approximately 7.58%, with the incremental overhang resulting from the share increase equal to approximately 2.72%. This overhang is calculated as follows, in each case as of the record date of January 12, 2018:

(a) Incremental Share Request Subject to Shareholder Approval	1,950,000
(b) Shares underlying outstanding awards <sup>(1)</sup>	1,975,314
(c) Shares currently available under the 2003 Long-Term Incentive Plan	1,498,998
(d) Total shares authorized for, or outstanding under, equity awards (a + b + c)	5,424,312
(e) Total shares outstanding	66,142,975
(f) Fully Diluted Overhang (d/(d+e))	7.58%

(1) Of such shares, 241,971 are underlying option awards.

We note that the number of shares remaining available for grant as described above differs from those reported below under Equity Compensation Plan Information, since that table, required by SEC disclosure rules, is dated as of October 29, 2017, and therefore does not take into account year-to-date grants for FY 2018.

The following table includes information regarding all outstanding equity awards (i.e., awards under the Incentive Plan, awards under any predecessor plans and inducement/make-whole awards granted on a non-plan basis) and shares available for future awards under the Incentive Plan as of January 12, 2018 (and without giving effect to the amended and restated Incentive Plan under this Proposal No. 2):

Total shares underlying outstanding options and warrants	241,971
Weighted average exercise price of outstanding options and warrants	11.05
Weighted average remaining contractual life of outstanding options and warrants	3.74
Total shares subject to outstanding, unvested full-value awards	1,733,343
Total shares currently available for grant	1,498,998

(1) All shares of Common Stock underlying outstanding awards and remaining available for issuance are under the 2003 Long-Term Incentive Plan.

## **Governance Highlights of the Amended and Restated Incentive Plan**

The amended and restated Incentive Plan incorporates certain compensation governance provisions that reflect best practices. These include:

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No payment of dividends, dividend equivalents and other distributions in respect of unvested stock-based awards;  
Minimum 100% fair market value exercise price for options and stock appreciation rights;  
No repricing of options or stock appreciation rights and no buyout of underwater options or stock appreciation rights without stockholder approval;  
No dividend equivalents on options or stock appreciation rights;  
No liberal share recycling of any awards;  
No evergreen provision;  
No liberal change in control definition;  
No excise tax gross-up on change in control benefits; and  
Clawback provisions.

## Summary of the Amended and Restated Incentive Plan

The following summary of the Incentive Plan is qualified by reference to the full text thereof, which is attached as Annex A to this proxy statement. Consistent with the 2003 Long-Term Incentive Plan, as amended and restated the Incentive Plan's primary purpose is to promote the success of our business by serving as a means to attract and retain qualified personnel, provide additional incentives to employees, directors and consultants, increase participants interest in our welfare.

### General

The Compensation Committee of our Board administers the Incentive Plan. In the future, the Board or other committees may be allocated some or all of the Compensation Committee's duties. The Compensation Committee consists solely of two or more directors who are independent in accordance with the Internal Revenue Code, or Code and Rule 16b-3 under the Securities Exchange Act. The Compensation Committee is authorized to:

interpret the Incentive Plan and all awards;  
establish and amend rules and regulations for the Incentive Plan's operation;  
select recipients of awards;  
determine the form, amount and other terms and conditions of awards;  
modify or waive restrictions on awards;  
amend awards; and  
grant extensions and accelerate awards.

Our officers and other employees, directors and consultants, in addition to those of our subsidiaries, are eligible to be selected to participate in the Incentive Plan. Incentive stock options may be granted only to our employees and employees of our subsidiaries in which we own directly or indirectly more than a 50% voting equity interest. The Compensation Committee has the sole discretion to select participants from among the eligible persons. It is estimated that the total number of persons who are eligible to receive awards under the Incentive Plan at present would not exceed approximately 100.

Before giving effect to the amendment, the aggregate number of shares of Common Stock which may be issued under the Incentive Plan with respect to awards may not exceed 11,400,000. The amendment to the Incentive Plan would increase this number of shares by 1,950,000 to 13,350,000. All awards relating to any of these additional shares will be subject to stockholders approval of the amendment to the Incentive Plan. The proposed 13,350,000 share limit is subject to adjustment for certain transactions affecting the Common Stock. Each share issued pursuant to awards under the Incentive Plan (whether issued prior to or following the date of stockholder approval) will be counted against the share limit as one full share. If an award is cancelled, forfeited, or expires unexercised, the number of shares of Common Stock under such award will be added



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back to the shares available for grant under the Incentive Plan. The number of shares available for grant under the Incentive Plan shall not be increased by (a) any shares not issued or delivered as a result of a net settlement of an award, (b) any shares withheld to pay an exercise price or withholding taxes related to an award, or (c) shares of our Common Stock repurchased on the open market with the proceeds of an option exercise.

No individual may be granted, in any fiscal year, awards under the Incentive Plan covering or relating to an aggregate of more than 3,00,000 shares of our Common Stock and no individual shall receive payment for cash awards made under the Incentive Plan during any fiscal year aggregating in excess of \$3,000,000. In addition, no non-employee director of the Company may be granted, in any fiscal year, cash and non-cash compensation with an aggregate value in excess of \$500,000.

The Incentive Plan provides for the grant of:

stock options, including incentive stock options and nonqualified stock options;  
stock appreciation rights, in tandem with stock options or freestanding;  
restricted stock awards;  
restricted stock unit awards;  
performance share awards;  
phantom stock awards; and  
cash awards.

The Compensation Committee may grant awards individually, in combination, or in tandem. The Compensation Committee may also authorize the assumption of awards granted by other entities that are acquired by us or otherwise.

All awards will be evidenced by award agreements, as determined by the Compensation Committee. The award will be effective on the date of grant unless the Compensation Committee specifies otherwise.

The exercise or measurement price will be at least equal to the fair market value of our Common Stock. The fair market value generally is determined to be the closing sales price quoted on the NYSE on the day of the grant of the award.

Awards will normally terminate on the earlier of (i) ten years from the date of grant, (ii) 30 days after termination of employment or service for a reason other than death, disability or retirement, (iii) one year after death or (iv) one year (for incentive stock options) or five years (for other awards) after disability or retirement.

Awards are non-transferable except by disposition on death or to certain family members, trusts and other family entities as the Compensation Committee may approve.

Awards may be paid in cash, shares of our Common Stock or a combination, in a lump sum or installments, as determined by the Compensation Committee.

A participant's breach of the terms of the Incentive Plan or the award agreement will result in a forfeiture of the award.

## **Options**

Options granted under the Incentive Plan may be:

incentive stock options, as defined in the Code; or



nonqualified options, which do not qualify for treatment as incentive stock options.

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The Compensation Committee selects the recipients of options and sets the terms of the options, including:

the number of shares for which an option is granted;  
the term of the option; and  
the time(s) when the option can be exercised.

The Compensation Committee determines how an option may be exercised, whether for cash or securities. The exercise price of an option may not be less than the fair market value of a share of our Common Stock on the grant date, and the option term may be no longer than ten years. Arrangements may also be made, if permitted by law, for same-day-sale and margin account transactions through FINRA dealers. The fair market value of Common Stock an employee may purchase during any calendar year by exercise of incentive stock options is limited to \$100,000. No dividends, dividend equivalents or other distributions are payable in respect of options until the options are exercised and settled into shares of our Common Stock.

An option agreement or the Compensation Committee's procedures may set forth conditions respecting the exercise of an option. The Compensation Committee may in its discretion waive any condition respecting the exercise of any option and may accelerate the time at which any option is exercisable.

## **Stock Appreciation Rights**

A stock appreciation right is a grant entitling the participant to receive an amount in cash or shares of Common Stock or a combination thereof, as the Compensation Committee may determine, in an amount equal to the increase in the fair market value between the grant and exercise dates of the shares of Common Stock with respect to which the stock appreciation right is exercised. The exercise price of a stock appreciation right may not be less than the fair market value of a share of our Common Stock on the grant date, and the term of a stock appreciation right may be no longer than ten years. Stock appreciation rights may be granted separately or in tandem with the grant of an option.

A stock appreciation right granted in tandem with a nonqualified option may be granted either at or after the time of the grant of the nonqualified option. A stock appreciation right granted in tandem with an incentive stock option may be granted only at the time of the grant of the incentive stock option. A stock appreciation right granted in tandem with an option terminates and is no longer exercisable upon the termination or exercise of the related option. The Compensation Committee may set the terms and conditions of stock appreciation rights, subject to the limitations set forth in the Incentive Plan. At any time it may accelerate the exercisability of any stock appreciation right and otherwise waive or amend any conditions to the grant of a stock appreciation right.

## **Restricted Stock**

A restricted stock grant entitles the recipient to acquire, at no cost or for a purchase price determined by the Compensation Committee on the date of the grant, shares of our Common Stock subject to such restrictions and conditions as the Compensation Committee may determine at the time of the grant. The recipient may have all the rights of a stockholder with respect to the restricted stock. These rights include voting and dividend rights, and they are effective as soon as:

restricted stock is granted (or upon payment of the purchase price for restricted stock); and  
issuance of the restricted stock is recorded by our transfer agent.

Any restricted shares cease to be restricted stock and will be deemed vested after the lapse of all restrictions. Restrictions lapse, and restricted stock becomes vested, ratably over a specified period of time or upon the participant's death, disability or retirement, the occurrence of a change in control (in certain circumstances), or other appropriate

event as determined by the Compensation Committee.

A participant will have the right to vote the shares of Common Stock, except that unless otherwise provided in an award agreement, the participant will not be entitled to delivery of the Common Stock until all restrictions lapse.

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If a participant's employment or service is terminated for any reason prior to shares of restricted stock becoming vested, we have the right, in the discretion of the Compensation Committee, to:

repurchase the unvested shares at their purchase price; or  
require forfeiture of those shares if acquired at no cost.

### **Restricted Stock Unit Awards**

A restricted stock unit award is an award denominated in units evidencing the right to receive shares of our Common Stock, subject to vesting or such other terms and conditions as determined by the Compensation Committee. Prior to vesting, the recipient has no voting or dividend rights with respect to the shares evidenced by a restricted stock unit award, however, the Compensation Committee may award cash dividend equivalents with respect to a restricted stock unit award. Upon vesting or satisfaction of any other conditions established by the Compensation Committee, the recipient of a restricted stock unit award becomes entitled to receive a share of our Common Stock with respect to each restricted stock unit.

### **Performance Share Awards**

The Compensation Committee may grant performance share awards, which are rights to receive shares of our Common Stock or their cash equivalent based on the attainment of pre-established performance goals and such other conditions, restrictions and contingencies as the Compensation Committee may determine. Performance measures may include future performance by the grantee, us or any subsidiary, division or department.

Payment will be made after the performance period based on the achievement of the performance measures as determined by the Compensation Committee.

### **Phantom Stock Awards**

The Compensation Committee may grant phantom stock awards, which are rights to receive the fair market value of shares of our Common Stock, or the increase in the fair market value, during a period of time. The award may vest over a period of time specified by the Compensation Committee. Payment will be made following the prescribed period and may be made in cash, shares of our Common Stock or a combination as the Compensation Committee determines.

### **Cash Awards**

The Compensation Committee may grant cash awards, which are bonuses paid in cash that are based solely upon the attainment of one or more performance goals that have been established by the Compensation Committee. The terms, conditions and limitations applicable to any cash awards will be determined by the Compensation Committee.

### **Performance Awards**

At the discretion of the Compensation Committee, any of the above-described awards may be designated a performance award. Cash awards may only be designated as performance awards. Performance awards will be contingent upon performance measures applicable to a particular period, as established by the Compensation Committee, based upon any one or more of the following:

revenue or increased revenue;

net income measures (including, but not limited to, income after capital costs, economic profit and income before or after taxes);

profit measures (including, but not limited to, gross profit, operating profit, net profit before taxes and adjusted pre-tax profit);

stock price measures (including, but not limited to, growth measures and total stockholder return);

price per share of Common Stock;

market share;

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earnings;  
earnings per share or adjusted earnings per share (actual or growth in);  
earnings before interest, taxes, depreciation and amortization (EBITDA);  
earnings before interest and taxes (EBIT);  
economic value added (or an equivalent metric);  
market value added;  
debt to equity ratio;  
cash flow measures (including, but not limited to, cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities);  
return measures (including, but not limited to, return on equity, return on assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity);  
operating measures (including operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes and production efficiency);  
expense measures (including, but not limited to, overhead costs and general and administrative expense);  
changes in working capital;  
margins;  
stockholder value;  
total stockholder return;  
proceeds from dispositions;  
total market value;  
customer satisfaction or growth;  
employee satisfaction; and  
corporate values measures (including ethics compliance, environmental and safety).

Such performance measures may apply to the grantee, to one or more business units, divisions or subsidiaries of the Company or the applicable sector of the Company, or to the Company as a whole. Goals may also be based upon performance relative to a peer group of companies. The Compensation Committee may modify or waive the performance goals or conditions to the granting or vesting of a performance award unless the performance award is intended to qualify as performance-based compensation under Section 162(m) of the Code. Section 162(m) of the Code generally disallows deductions for compensation in excess of \$1 million for some executive officers unless, for grants prior to November 2, 2017, the awards meet the requirements for being performance-based. To the extent not required to preserve deductibility under Section 162(m) of the Code, the Committee may select other criteria not included in the preceding list. Please see Compensation Discussion & Analysis - Deductibility of Compensation for more information regarding Section 162(m) of the Code.

## **Provisions Relating To A Change In Control, Death, Disability And Retirement**

The Incentive Plan provides certain benefits in the event of a change in control, including accelerated vesting and payment if awards are not assumed, substituted or continued by a successor or as may otherwise be determined by the Compensation Committee. A change in control is deemed to have occurred if:

with respect to awards granted before May 31, 2016, if any person acquires beneficial ownership of 20% or more of our voting securities;

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with respect to awards granted on or after May 31, 2016, if any person acquires beneficial ownership of 25% or more of our voting securities, unless the acquisition was not entered into for the purpose of, and does not have the effect of, changing or influencing the control of, the Company;

as a result of, or in connection with, a tender or exchange offer, merger or other business combination, there is a change in the composition of a majority of our Board; or

we merge or consolidate with, or transfer substantially all of our assets to, another corporation, after which less than 50% of the voting securities of us or the surviving entity outstanding immediately thereafter is owned by our former stockholders; or a tender or exchange offer results in the acquisition of 30% or more of our outstanding voting securities.

However, a change in control would not be deemed to occur if a person that already controls us acquires more of our voting securities. Upon the occurrence of a change in control in which awards are not honored, assumed, continued, substituted or replaced, or a participant's death, disability or retirement, all outstanding awards will immediately vest or become exercisable or payable, and all forfeiture restrictions will lapse, unless the related agreements provide otherwise.

## **Limitation on Payment of Dividends and Dividend Equivalents**

Notwithstanding anything to the contrary, during the period of restriction of shares of restricted stock, and prior to the vesting and settlement of restricted stock unit awards and performance share awards, all dividends and dividend equivalents or other distributions paid with respect to such awards will be retained by the Company. Such dividends and dividend equivalents or other distributions will revert to the Company if the awards revert to the Company or are not settled into shares of our Common Stock. Upon the expiration of the period of restriction or upon settlement, all such dividends and dividend equivalents or other distributions made on such awards and retained by the Company will be paid, without interest, to the relevant participant. No dividends, dividend equivalents or other distributions are payable in respect of options, stock appreciation rights or phantom stock awards until the options are exercised and settled into shares of our Common Stock.

## **Other Modifications**

In the event of specified changes in our capital structure, the Compensation Committee will have the power to adjust the number and kind of shares authorized by the Incentive Plan (including any limitations on individual awards) and the number, option price or kinds of shares covered by outstanding awards. The Compensation Committee will also have the power to make other appropriate adjustments to awards under the Incentive Plan.

## **No Repricing of Options or Stock Appreciation Rights**

Outstanding options and stock appreciation rights may not be amended to reduce their exercise price, or cancelled in exchange for cash or other awards with an exercise price that is less than the exercise price of the original options or stock appreciation rights, or otherwise be subject to any action that would be treated as a repricing, without stockholder approval.

## **Awards Subject to Clawback Policy**

Awards under the Incentive Plan are subject to the Company's Clawback Policy and any successor policy that the Company may adopt in the future. As such, they may be subject to the requirement that the awards be repaid to the Company after they have been distributed to the participant. See Compensation Discussion & Analysis Compensation

Philosophy and Objectives of NCI's Compensation Program.

## **Federal Income Tax Consequences**

The Code provides that a participant receiving a nonqualified option ordinarily does not realize taxable income upon the grant of the option. A participant does, however, realize compensation income taxed at ordinary income tax rates upon the exercise of a nonqualified option to the extent that the fair market value of the Common Stock on the date of exercise exceeds the option price. Subject to the discussion under Certain Tax Code Limitations on Deductibility below, we are entitled to a federal income tax deduction



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for compensation in an amount equal to the ordinary income so realized by the participant. When the participant sells the shares acquired pursuant to a nonqualified option, any gain or loss will be capital gain or loss. This assumes that the shares represent a capital asset in the participant's hands, although there will be no tax consequences for us.

The grant of an incentive stock option does not result in taxable income to a participant. The exercise of an incentive stock option also does not result in taxable income, provided that the circumstances satisfy the employment requirements in the Code. However, the exercise of an incentive stock option may give rise to alternative minimum tax liability for the participant. In addition, if the participant does not dispose of the Common Stock acquired upon exercise of an incentive stock option during the statutory holding period, then any gain or loss upon subsequent sale of the Common Stock will be a long-term capital gain or loss. This assumes that the shares represent a capital asset in the participant's hands.

The statutory holding period lasts until the later of:

two years from the date the option is granted; or

one year from the date the Common Stock is transferred to the participant pursuant to the exercise of the option.

If the employment and statutory holding period requirements are satisfied, we may not claim any federal income tax deduction upon either the exercise of the incentive stock option or the subsequent sale of the Common Stock received upon exercise. If these requirements are not satisfied (a disqualifying disposition), the amount of ordinary income taxable to the participant is the lesser of:

the fair market value of the Common Stock on the date of exercise minus the option price; or  
the amount realized on disposition minus the option price.

Any excess is long-term or short-term capital gain or loss, assuming the shares represent a capital asset in the participant's hands. Subject to the discussion under Certain Tax Code Limitations on Deductibility below, in the case of a disqualifying disposition, we are entitled to a federal income tax deduction in an amount equal to the ordinary income realized by the participant.

The exercise of an option through the exchange of previously acquired stock will generally be treated as a non-taxable like-kind exchange as to the number of shares given up and the identical number of shares received under the option.

That number of shares will take the same tax basis and, for capital gain purposes, the same holding period as the shares that are given up. The value of the shares received upon such an exchange which are in excess of the number given up will be taxed to the participant at the time of the exercise as ordinary income, taxed as compensation. The excess shares will have a new holding period for capital gains purposes and a tax basis equal to the value of such shares determined at the time of exercise. If the tendered shares were acquired through the prior exercise of an incentive stock option and do not satisfy the statutory two-year and one-year holding periods (disqualified shares), then the tender will result in compensation income to the optionee taxed as ordinary income equal to the excess of the fair market value of the disqualified shares, determined when the prior incentive stock option was exercised, over the exercise price of the disqualified shares. The optionee will increase his tax basis in the number of shares received on exercise equal to the number of shares of disqualified shares tendered by the amount of compensation income recognized by the optionee with respect to the disqualified shares. Generally, the federal income tax consequences to the optionee are similar to those described above relating to the exercise of an option through the exchange of non-disqualified shares.

If an optionee exercises an option through the cashless exercise method by authorizing a broker designated by NCI to sell a specified number of the shares to be acquired through the option exercise having a market value equal to the sum of the option exercise plus any transaction costs (the cashless shares), the optionee should be treated as constructively receiving the full amount of option shares, followed immediately by a sale of the cashless shares by the

optionee. In the case of an incentive stock option, the cashless exercise method would result in the cashless shares becoming disqualified shares and taxed in a manner described above for disqualified shares.

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In the case of a nonqualified option, the cashless exercise method would result in compensation income to the optionee with respect to both the cashless shares and remaining option shares as discussed above relating to nonqualified options. Since the optionee's tax basis in the cashless shares that are deemed received and simultaneously sold on exercise of the option is equal to the sum of the exercise price and the compensation to the optionee, no additional gain should be recognized by the optionee upon the deemed sale of the cashless shares.

Under Section 83(b) of the Code, an employee may elect to include in ordinary income, as compensation at the time restricted stock is first issued, the excess of the fair market value of the stock at the time of issuance over the amount paid, if any, by the employee. In this event, any subsequent change in the value of the shares will be recognized for tax purposes as capital gain or loss upon disposition of the shares, assuming that the shares represent a capital asset in the hands of the employee. An employee makes a Section 83(b) election by filing the election with the IRS no later than 30 days after the restricted stock is transferred to the employee. If a Section 83(b) election is properly made, the employee will not be entitled to any loss deduction if the shares with respect to which a Section 83(b) election was made are later forfeited. Unless a Section 83(b) election is made, no taxable income will generally be recognized by the recipient of a restricted stock award until the shares are no longer subject to the restrictions or the risk of forfeiture. When either the restrictions or the risk of forfeiture lapses, the employee will recognize ordinary income, taxable as compensation, in an amount equal to the excess of the fair market value of the Common Stock on the date of lapse over the amount paid, if any, by the employee for the stock.

Generally, an employee will not recognize any taxable income upon the grant of stock appreciation rights, performance shares, restricted stock units, phantom stock or a cash award. At the time the employee receives the payment for the stock appreciation right, performance shares, restricted stock units, phantom stock or cash award, the fair market value of shares of Common Stock or the amount of any cash received in payment for such awards generally is taxable to the employee as ordinary income.

Subject to the discussion under **Certain Tax Code Limitations on Deductibility** below, we or one of our subsidiaries will be entitled to a deduction for federal income tax purposes at the same time and in the same amount that an employee recognizes ordinary income from awards under the Incentive Plan.

The exercisability of an option or a stock appreciation right, the payment of performance share or phantom stock awards or the elimination of restrictions on restricted stock, may be accelerated, and special cash settlement rights may be triggered and exercised, as a result of a change in control. If any of the foregoing occurs, all or a portion of the value of the relevant award at that time may be a parachute payment, discussed under **Golden Parachute Tax and Code Section 280G** below. This is relevant for determining whether a 20% excise tax (in addition to income tax otherwise owed) is payable by the participant as a result of the receipt of an excess parachute payment pursuant to the Code. We will not be entitled to a deduction for that portion of any parachute payment which is subject to the excise tax.

## **Certain Tax Code Limitations on Deductibility**

As in effect after the end of our 2017 fiscal year, Section 162(m) of the Code generally disallowed a federal income tax deduction to any publicly held corporation for compensation paid in excess of \$1.0 million in any taxable year to the chief executive officer or any of the three other most highly compensated executive officers (other than the chief financial officer) who are employed by the corporation on the last day of the taxable year, but did not disallow a deduction for performance-based compensation the material terms of which are disclosed to and approved by stockholders. As a result of changes to Section 162(m) of the Code resulting from federal legislation referred to as the Tax Cuts and Jobs Act, the \$1.0 million deduction limitation described above will be expanded to disallow the deduction for compensation payable to a larger group of employees, effective for tax years beginning after December

31, 2017. Performance-based compensation, including equity awards, will no longer be exempt from the 162(m) deduction limitation, and the employees (referred to as covered employees ) to whom the deduction limitation will apply include the chief executive officer and chief financial officer (in each case, whether or not serving as executive officers as of the end of the fiscal year) and the three other most highly compensated executive officers. In addition, once considered a covered employee for a given year, the individual will be treated as a covered employee for all subsequent years.

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We have structured and intend to implement the Incentive Plan so that resulting compensation would be performance-based compensation for so long as deductions for such compensation remain available. However, we may, in our sole discretion, determine that in one or more cases it is in our best interests not to satisfy the requirements for the performance-based exception. Please see Compensation Discussion & Analysis Deductibility of Compensation for more information regarding Section 162(m) of the Code.

## **Golden Parachute Tax and Code Section 280G**

The Incentive Plan may, in certain circumstances, provide for immediate vesting of all then outstanding unvested awards upon a change in control. If the vesting of the award is accelerated as the result of a change in control, all or a portion of the value of the award at that time might be a parachute payment under Section 280G of the Code for certain employees. Section 280G of the Code generally provides that if compensation received by the grantee that is contingent on a change in control equals or exceeds three times the grantee's average annual compensation for the five taxable years preceding the change in control (a parachute payment), the Company will not be entitled to a deduction, and the recipient will be subject to a 20% excise tax with respect to that portion of the parachute payment in excess of the grantee's average annual compensation. Section 280G of the Code generally applies to employees or other individuals who perform services for the Company if, within the 12-month period preceding the change in control, the individual is an officer of the Company, a stockholder owning more than 1% of the stock of the Company, or a member of the group consisting of the lesser of the highest paid 1% of the employees of the Company or the highest paid 250 employees of the Company.

## **Additional Medicare Tax**

An employee will also be subject to a 3.8% tax on the lesser of (i) the recipient's net investment income for the relevant taxable year and (ii) the excess of the recipient's modified adjusted gross income for the taxable year over a certain threshold (between \$125,000 and \$250,000, depending on the recipient's circumstances). The recipient's net investment income generally includes net gains from the disposition of shares. Employees are urged to consult their tax advisors regarding the applicability of this Medicare tax to their income and gains in respect of their investment in the shares.

## **Code Section 409A**

The Incentive Plan permits the grant of various types of incentive awards that may or may not be exempt from Section 409A of the Code. If an award is subject to Section 409A, and if the requirements of Section 409A are not met, the award could be subject to tax at an earlier time than described above and could be subject to additional taxes and penalties. We intend that awards under the Incentive Plan either be exempt from, or satisfy the requirements of, Section 409A and the Incentive Plan is intended to be administered and interpreted in accordance with Section 409A.

THE ABOVE SUMMARY OF THE EXPECTED EFFECT OF THE FEDERAL INCOME TAX UPON PARTICIPANTS IN THE INCENTIVE PLAN IS NOT COMPLETE, AND WE RECOMMEND THAT THE PARTICIPANTS CONSULT THEIR OWN TAX ADVISORS FOR COUNSELING. MOREOVER, THE ABOVE SUMMARY IS BASED UPON CURRENT FEDERAL INCOME TAX LAWS, WHICH ARE SUBJECT TO CHANGE. THE TAX TREATMENT UNDER FOREIGN, STATE OR LOCAL LAW IS NOT COVERED IN THE ABOVE SUMMARY.

## **New Incentive Plan Benefits**

Awards under the amended and restated Incentive Plan will be subject to the Compensation Committee's discretion. As a result, we cannot determine the number or type of awards that will be granted to any participant under the Incentive Plan for the 2018 fiscal year.

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TABLE OF CONTENTS**EQUITY COMPENSATION PLAN INFORMATION**

The following sets forth information relating to our equity compensation plans as of October 29, 2017:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,829,004 <sup>(1)</sup>	\$ 11.06 <sup>(2)</sup>	3,155,615
Equity compensation plans not approved by security holders <sup>(3)</sup>	N/A	\$ N/A	N/A
<b>Total</b>	<b>1,829,004</b>	<b>\$ 11.06</b>	<b>3,155,615</b>

Includes 335,607 shares subject to outstanding stock options, 475,883 shares subject to outstanding RSUs and (1) 1,017,514 shares subject to outstanding PSUs based on assumed target performance, unless performance is otherwise know.

(2) The weighted average remaining contractual life of outstanding options is 3.7 years.

(3) All shares of Common Stock underlying outstanding awards and remaining available for issuance are under the 2003 Long-Term Incentive Plan.

**Vote Required**

In accordance with NYSE rules, approval of Proposal 2 requires the affirmative vote of a majority of the votes cast on the proposal provided that the total votes cast on the proposal represent over 50% of the stock entitled to vote on the proposal. Abstentions have the same effect as a vote against this proposal. Broker non-votes could impair our ability to satisfy the NYSE requirement that the total votes cast on this proposal represent over 50% of the stock entitled to vote on this proposal.

**Recommendation of Our Board of Directors**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE PROPOSAL TO ADOPT THE AMENDMENT TO THE INCENTIVE PLAN.**





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# **PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

## **General**

The Audit Committee has appointed the firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 28, 2018, subject to ratification by our stockholders. Ernst & Young LLP has served as our independent registered public accounting firm since our initial public offering in April 1992. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement, if they desire to do so, and to respond to appropriate questions from those attending the meeting.

## **Vote Required**

If a majority of the votes cast in person or by proxy at the 2018 Annual Meeting are voted in favor of this proposal, the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 28, 2018 will be ratified. Even if the selection is not ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it believes that such a change would be in the best interests of our stockholders and NCI. If the appointment of Ernst & Young LLP is not ratified, the Audit Committee will reconsider the appointment.

## **Recommendation of Our Board of Directors**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF ERNST & YOUNG LLP S APPOINTMENT AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING OCTOBER 28, 2018.**

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## MANAGEMENT

Our current executive officers are as follows:

Name	Position
Donald R. Riley	President and Chief Executive Officer
Mark E. Johnson	Executive Vice President, Chief Financial Officer and Treasurer
Todd R. Moore	Executive Vice President, Chief Legal, Risk & Compliance Officer and Corporate Secretary
John L. Kuzdal	President of Group Manufacturing Segment
Katy K. Theroux	Executive Vice President, Corporate Marketing and Chief Human Resources Officer
Robert D. Ronchetto	Vice President, Chief Procurement Officer
Bradley S. Little	Vice President Finance and Chief Accounting Officer

Information concerning the business experience of Mr. **Donald R. Riley** is provided under the section titled Election of Directors.

**Mark E. Johnson**, age 51, has served as our Executive Vice President, Chief Financial Officer and Treasurer since March 2008. He had served as our Chief Accounting Officer from August 2006 to November 2010, as our Executive Vice President and Controller since December 2007 until March 2008, and as our Vice President and Controller from February 2006 until December 2007. Before joining NCI in February 2006, Mr. Johnson was employed by Vector ESP, Inc., a company providing information technology services, where he served as a Corporate Controller from 2000 to 2002 and Chief Financial Officer and Senior Vice President from 2002 to August 2005, when the company was acquired. From 1989 to 2000, Mr. Johnson was employed by Ernst & Young LLP. Mr. Johnson has been a CPA since 1991 and earned his B.B.A. in Accounting from the University of Texas at Austin.

**Todd R. Moore**, age 58, has served as our Chief Legal, Risk & Compliance Officer and Corporate Secretary since May 2017. Mr. Moore served as our Executive Vice President and General Counsel from December 2007 to May 2017, and as our Vice President and General Counsel from March 2003 to December 2007. Mr. Moore has served as a Vice President and General Counsel of all NCI divisions since January 1999 and as our Corporate Secretary since March 2005. Before joining NCI in January 1999, Mr. Moore was a partner in the Trial Section of Gardere Wynne Sewell LLP, a law firm based in Texas. Mr. Moore has a B.A. in Political Science from Southern Methodist University and a J.D. from the University of Tulsa College of Law. He is licensed to practice law in the State of Texas.

**John L. Kuzdal**, age 52, has served as President of Group Manufacturing Segment since November 2013, and as President of the Metal Coil Coating Division since September 2017. Previously, Mr. Kuzdal served as President of the Metal Coil Coating Division from March 2008 to November 2013. Mr. Kuzdal served as Vice President of Operations for NCI's Metal Coil Coating Division from December 2006 until March 2008. From June 2002 to December 2006, he served as Vice President and General Manager of Metal Coaters of California Division. Mr. Kuzdal has been with NCI since 1998 and has worked in the coil coating and steel industries since 1986. Mr. Kuzdal earned his B.S. in Metallurgical Engineering from the University of Michigan.

**Katy K. Theroux**, age 49, has served as our Executive Vice President, Corporate Marketing and Chief Human Resources Officer since July 2017, and as our Vice President, Chief Human Resources officer from September 2014 to June 2017. Before joining NCI, Ms. Theroux was employed by 1WORLDSYNC, where she served as Chief

Marketing and Administrative Officer from 2012 to 2013, and was responsible for the integration of two multinational technology services companies. Prior to joining 1WORLDSYNC, Ms. Theroux served as Senior Vice President, Customer Engagement & Solutions for its parent, GS1 US and 1SYNC from 2007 to 2012, and was responsible for customer support, marketing, human resources and facilities shared services for all operating units. Ms. Theroux also served as its Chief Human Resources Officer from 2006 to 2012. Ms. Theroux served as Chairman of the Board of Peirce College until June 2015. Ms. Theroux has a B.S. from Syracuse University and an M.B.A. from Saint Peter's University.

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**Robert D. Ronchetto**, age 51, has served as our Vice President and Chief Procurement Officer since November 2015. Mr. Ronchetto served as our Vice President of Supply Chain Management from December 2011 to November 2015. Before joining NCI, Mr. Ronchetto was employed by Greif Inc., a world leader in industrial packaging and service where he served as Vice President of Global Sourcing from November 2004 to July 2011. Prior to Greif, Mr. Ronchetto was employed by Emerson Electric from 1990 to 2004. Mr. Ronchetto has a B.S. in Industrial Management from Southwest Missouri State University and an M.B.A. from St. Louis University.

**Bradley S. Little**, age 40, has served as our Vice President, Finance and Chief Accounting Officer since November 2013. Before joining NCI, Mr. Little was employed by Technip USA, Inc., where he served as Vice President of Finance from September 2012 to June 2013. Prior to joining Technip USA, Mr. Little held various positions with Willbros Group, Inc., from August 2009 until September 2012, most recently as Controller, Oil & Gas Segment. Prior to joining Willbros Group, Mr. Little held various positions with PricewaterhouseCoopers, LLP, from September 2001 until August 2009. Mr. Little is a certified public accountant and has a B.B.A. in Accounting from Texas State University.

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# COMPENSATION DISCUSSION & ANALYSIS

## Introduction

This Compensation Discussion & Analysis ( CD&A ) provides information regarding NCI's compensation programs for our Chief Executive Officer ( CEO ), our former CEO, our Chief Financial Officer ( CFO ), and our three other most highly compensated executive officers for the fiscal year ended October 29, 2017 ( Fiscal 2017 ) and also describes certain compensation actions taken in Fiscal 2017. (Throughout the CD&A we occasionally refer to other fiscal years of NCI in the same manner.) The CD&A is also intended to place in perspective the information for Fiscal 2017 contained in the executive compensation tables that follow this discussion.

Throughout this discussion, the following individuals are referred to collectively as the Named Executive Officers or NEOs and are included in the Summary Compensation Table that follows this discussion:

Donald R. Riley, President and Chief Executive Officer;  
Norman C. Chambers, former Chief Executive Officer;  
Mark E. Johnson, Executive Vice President, Chief Financial Officer and Treasurer;  
Todd R. Moore, Executive Vice President, Chief Legal, Risk & Compliance Officer and Corporate Secretary;  
John L. Kuzdal, President of Group Manufacturing Segment; and  
Katy K. Theroux, Executive Vice President, Corporate Marketing and Chief Human Resources Officer.

## Summary of Compensation Matters for Fiscal 2017

Our financial and operational performance during Fiscal 2017 achieved many of the Company's goals important to realizing the firm's longer-term targets. However, the annual performance was below the planned objectives for the year as a result of lower volumes that adversely affected margins and manufacturing utilization, offset by gains in price realization across all of the business segments.

During Fiscal 2017:

Revenues increased by 5.1% to \$1.77 billion, up from \$1.68 billion in Fiscal 2016;  
Gross profit was \$416.1 million, compared to \$427.9 million in Fiscal 2016;  
Adjusted EBITDA was \$167.5 million, up 0.8% from Fiscal 2016's \$166.1 million; and  
Net income per diluted share of Common Stock increased to \$0.77, up from \$0.70 per diluted share of Common Stock in Fiscal 2016. Adjusted net income per diluted share of Common Stock was \$0.80 in Fiscal 2017, up from \$0.71 in Fiscal 2016.

For an understanding of how these measures relate to generally accepted accounting principles, please refer to the section entitled Non-GAAP Measures in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the fiscal year ended October 29, 2017.

During Fiscal 2017, we operated our compensation programs, including for our NEOs, in a manner consistent with our pay-for-performance philosophy. As discussed in greater detail below, in Fiscal 2017 we continued our compensation policies developed in prior years, and only took a limited number of significant actions, as follows:

As part of the Company's long-standing succession plan, on June 6, 2017, Mr. Chambers announced that he would resign as the Company's CEO, effective July 1, 2017. Mr. Chambers remained employed by the Company as its Executive Chairman of the Board, in accordance with the terms of his employment agreement with the Company,

dated as of September 1, 2015, as amended, through December 31, 2017, at which time he retired from all positions with the Company. Also effective as

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of July 1, 2017, Mr. Riley was appointed by the Board as the Company's CEO, in addition to his position as our President. In connection with his appointment as Chief Executive Officer, Mr. Riley and the Company entered into an amended and restated employment agreement. See Executive Compensation Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements.

In Fiscal 2017, our Board approved the NCI Building Systems, Inc. Executive Stock Ownership Guidelines, pursuant to which certain of our executives, including our NEOs, and non-employee directors will be required to acquire and hold a certain level of our common stock based on a multiple of salary or cash retainer, as applicable. The stock ownership guidelines were adopted to further align the interests of our management team with those of our stockholders. See Compensation Discussion & Analysis Stock Ownership Guidelines .

In addition, on November 16, 2017, our Board approved the Company's Clawback Policy as well as policies prohibiting the pledging of Company securities or engaging in hedging transactions involving Company securities owned by our executive officers and non-employee directors. See Compensation Discussion & Analysis Compensation Philosophy and Objectives of NCI's Compensation Program .

At our 2017 Annual Meeting, more than 98% of the votes cast on the advisory say-on-pay resolution were voted in favor of the compensation of the NEOs for Fiscal 2017 as disclosed in our 2017 proxy statement. The Compensation Committee viewed the result of this advisory vote as strongly supportive of our pay-for-performance philosophy. The

Compensation Committee took these views into account when considering our annual and long-term incentives described above. Our Compensation Committee continually evaluates NCI's compensation practices so as to best align the interests of our senior executives and our stockholders and will continue to do so such that they remain aligned with our compensation objectives. Our Board, Compensation Committee and management team all value the opinions of our stockholders and are committed to considering their opinions in making these important decisions. In light of these results, for Fiscal 2018, the Compensation Committee did not make any significant changes to our executive compensation programs.

## **Compensation Philosophy and Objectives of NCI's Compensation Program**

Our executive compensation philosophy remains that executive pay should be linked to the performance of NCI and the individual executives. Our Compensation Committee has established the following objectives for our executive compensation programs:

- attract, retain and motivate exceptional executives;
- reward performance measured against established goals;
- provide incentives for future performance; and
- align executives' long-term interests with the interests of our stockholders.

In order to reach these goals, we have designed our compensation programs to reward excellent short-term performance and to encourage executives' commitment to NCI's long-term, strategic business goals. NCI operates in an intensely competitive industry and has experienced challenges in recent years caused by industry cyclicity and seasonality, fluctuations in demand, poor economic conditions and volatility in the price of steel affecting the construction industry. Long-term incentives balance the emphasis on long-term versus short-term business objectives and reinforce that one should not be achieved at the expense of the other. We believe that long-term incentive compensation helps to further NCI's compensation objectives, including the retention of high-performing, experienced executives whose interests are strongly aligned with the interests of stockholders. Further, a multi-year vesting period for grants of restricted stock or restricted stock units, stock options and performance share units helps to ensure that the value received by executives depends on the strong performance of NCI over time. We balance short- and long-term compensation through salary and performance bonuses, and the grant of restricted stock or restricted stock units, stock options, and performance share units, respectively. Our goal is to increase the proportion of long-term

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compensation as an executive's responsibility within our company increases.

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On November 16, 2017, our Board approved the NCI Building Systems, Inc. Executive Compensation Clawback Policy ( Clawback Policy ) to better align our compensation practices with our stockholders' interests by providing a mechanism to recover incentive compensation that is based on inaccurate financial information. Our Clawback Policy, which covers all current and former executive officers (including the NEOs), allows for recovery of cash, equity or other incentive compensation in the event NCI is required to prepare a material financial restatement due to noncompliance with any financial reporting requirement under the U.S. securities laws, where such noncompliance is the result of misconduct. The Clawback Policy applies to all incentive compensation that is earned or vested after the date the policy was adopted (regardless of when granted) and which is determined in whole or in part based on application of performance measures. Upon a determination that the Clawback Policy will be applied, the Board may recover up to the excess of the amount of the compensation actually received by a covered officer over the amount that would have been received if the restatement had not occurred, for the three completed fiscal years preceding the fiscal year in which the Board determines the restatement is necessary. The Board, with input from the Compensation Committee and the Audit Committee, has sole discretion to determine whether and how to apply the Clawback Policy.

In determining whether to recover compensation, the Board may take into account any and all factors that it determines to be appropriate and relevant under the circumstances, including the likelihood and costs of recovery, compliance with applicable law, the ability of the executive officer to repay such amount, the tax consequences of the original payment and/or the recoupment to the executive officer (including whether recoupment shall be on a pre-tax or post-tax basis), and any other potentially adverse consequences for the Company or the executive officer arising from seeking enforcement of the policy.

Also on November 16, 2017, our Board adopted policies prohibiting our executive officers and non-employee directors from engaging in transactions designed to hedge the economic risks associated with ownership of Company securities, and from pledging Company securities as collateral for loans. For purposes of these policies, securities held by CD&R, LLC and its affiliated investment funds shall not be considered to be owned or held by a non-employee director who is affiliated with CD&R, LLC.

## **Determination and Administration of Compensation Programs and Amounts**

Decisions regarding executive compensation are based primarily on the assessment by the Compensation Committee of each Named Executive Officer's leadership and operational performance and potential to enhance long-term value to NCI's stockholders. In Fiscal 2014, Fiscal 2015, and Fiscal 2017 a compensation consultant, Frederic W. Cook & Co. ( FW Cook or the consultant ), was retained to assist the Compensation Committee in its comprehensive review of NCI's executive compensation program. In Fiscal 2017, the same compensation consultant continued to advise the Compensation Committee regarding compensation packages for new hires and promotions and other governance related matters, as well as our director compensation arrangements (see Executive Compensation Compensation of Directors ). The Compensation Committee also relies on its judgment, prior experience, and the judgment of our CEO, Mr. Riley, about each individual Named Executive Officer in determining the amount and combination of compensation elements and whether each payment or award appropriately encourages and rewards performance. Key factors considered by the Compensation Committee in this regard include:

actual performance compared to the financial, operational and strategic goals established for NCI and the Named Executive Officer's reporting unit at the beginning of the year;

the nature, scope and level of the Named Executive Officer's responsibilities;

individual contribution to NCI's financial results, particularly with respect to key measures such as cash flow, revenue, earnings and ROA;

effectiveness in leading our initiatives to enhance quality and value provided to customers; and

individual contribution to a culture of honesty, integrity and compliance with our Code of Business Conduct and Ethics and applicable laws.

The Compensation Committee also considered each Named Executive Officer's current salary and prior-year bonus, if any, the appropriate balance between incentives for long-term and short-term performance, and internal pay equity in other words, the relative differences among the compensation of the executive officers.

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## Role of Management and Independent Advisors

The Compensation Committee meets regularly in separate executive sessions without management personnel present and also requests periodically that our officers or employees attend meetings. During Fiscal 2017, Mr. Chambers, Mr. Riley and other senior executives attended certain Compensation Committee meetings at the committee's request to advise the committee regarding our performance and to recommend proposed modifications to our compensation and benefits. Our management, under the leadership of our CEO, plays an important role in establishing and maintaining our Named Executive Officer compensation programs. Management's role includes recommending plans and programs to the Compensation Committee, implementing the Compensation Committee's decisions regarding the plans and programs and assisting and administering plans in support of the Compensation Committee. The Compensation Committee also relied to a certain extent on Mr. Chambers' and Mr. Riley's evaluations of other Named Executive Officers whose day-to-day performance was not as visible to the committee as it was to Mr. Chambers and Mr. Riley.

The Compensation Committee's charter provides that it may retain advisors, including compensation consultants, in its sole discretion. During Fiscal 2017, the Compensation Committee continued to use the services of FW Cook to assist with compensation arrangements when hiring and promoting executives, to provide recommendations for the development of the stock ownership guidelines approved by our Board on November 30, 2016 and amended on August 8, 2017 to advise on and assist us in complying with our regulatory obligations. In engaging FW Cook, the Compensation Committee determined that FW Cook did not have any economic interest or other relationship that would create a conflict with its services to the Compensation Committee.

In assessing compensation elements and making compensation decisions for our executive officers, our Compensation Committee has from time to time considered the executive compensation practices of a peer group of companies of similar size to the Company in related industries. The peer group was established in Fiscal 2015 and updated in Fiscal 2017 with assistance from FW Cook. The Fiscal 2017 peer group consists of the following companies:

Advanced Drainage Systems, Inc.	Griffon Corporation	Schnitzer Steel Industries, Inc.
Apogee Enterprises, Inc.	Interface, Inc.	Universal Forest Products, Inc.
Armstrong World Industries, Inc.	Masonite International Corporation	U.S. Concrete, Inc.
Atkore International Group Inc.	Nortek, Inc.	USG Corporation
Beacon Roofing Supply, Inc.	Ply Gem Holdings, Inc.	Valmont Industries, Inc.
Gibraltar Industries, Inc.	Quanex Building Products Corporation	Worthington Industries, Inc.

Based on (1) the consultant's Fiscal 2017 report, (2) discussions with and recommendations by Mr. Chambers and Mr. Riley in Fiscal 2017 and (3) our pay-for-performance policies, the Compensation Committee determined to continue the long-term incentive program for Fiscal 2017 in substantially the same form as Fiscal 2016. See Compensation Discussion & Analysis Long-Term Incentive Compensation Long-Term Incentive Awards Granted in Fiscal 2017 to NEOs and Compensation Discussion & Analysis Annual Bonus Fiscal 2017. The Company expects to continue its Fiscal 2017 compensation practice and policies in Fiscal 2018, however, performance share units granted to our NEOs in FY 2018 will vest in part based on the achievement of performance goals measured over a period of two fiscal years, and in part based on the achievement of performance goals measured over a period of three fiscal years. See Compensation Discussion & Analysis Long-Term Incentive Compensation Long-Term Incentive Awards Granted in Fiscal 2018 to NEOs.

## Elements of Executive Compensation

The principal elements of compensation provided to our Named Executive Officers consist of a base salary supplemented with the opportunity to earn a bonus under NCI's annual cash bonus program (the Bonus Program) and long-term incentive compensation in the form of restricted stock units and performance share units under the Incentive Plan. In the past, NCI has granted certain NEOs stock options and restricted stock, but has ceased the practice since the last grant of stock options in Fiscal 2012 and the last grant of restricted stock in Fiscal 2015.

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We also maintain retirement plans for certain of our employees, including a deferred compensation plan (a Deferred Compensation Plan or DCP) under which our Named Executive Officers can elect to defer a portion of their base salary and bonus. In addition, we provide limited perquisites that enhance our ability to be competitive in attracting and retaining talented executive officers and allow executive officers more time to focus on business objectives.

### **Base Salary**

The Compensation Committee annually reviews base salaries and makes adjustments in light of competitive data regarding compensation from other companies as well as a Named Executive Officer's responsibilities, experience and performance levels relative to other executives and the potential for making significant contributions in the future, to ensure that salary levels remain appropriate and competitive. Because the rate of any increase in base salary levels helps to provide incentives for continuous improvement in individual performance, we view individual factors as more significant than overall company performance in a particular year when determining base salary levels. Base salary also provides the foundation for calculating other benefits such as annual cash bonus and discretionary and restoration matching under the Deferred Compensation Plan and 401(k) plan so the executive's individual performance has a significant impact on both salary and the benefits derived from salary. The base salaries of our NEOs did not change during Fiscal 2017 since the end of the prior fiscal year, with the exception of Mr. Riley, whose base salary increased from \$525,000 to \$750,000 in connection with his transition to the role of CEO, and Ms. Theroux, whose base salary increased from \$359,000 to \$400,000 effective July 1, 2017. See Executive Compensation Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements. Following the end of Fiscal 2017, Mr. Johnson's base salary was increased from \$436,000 to \$458,000, Mr. Kuzdal's base salary was increased from \$400,000 to \$416,000, and Mr. Moore's base salary was increased from \$359,000 to \$377,000.

### **Annual Bonus**

Short-term annual cash incentive compensation is provided through our Bonus Program, under which annual cash bonuses may be paid to executives to reward their contributions to our business during the year. In Fiscal 2014, our stockholders approved our Senior Executive Bonus Plan, which continues to remain in effect. The Senior Executive Bonus Plan provides that the maximum aggregate bonus payable to any NEO cannot exceed 3% of the Company's Adjusted EBITDA for the applicable performance period. Shareholder approval of the plan maximum is intended to cause the Senior Executive Bonus Plan to meet requirements of Section 162(m) of the Internal Revenue Code as in effect during Fiscal 2017 and which, if not met, might result in a loss of tax deductibility of annual bonus amounts. Structuring the plan maximum in this way also permits us to establish performance goals that might not otherwise comply with Section 162(m), and, accordingly, this plan maximum can be, and is routinely expected to be, reduced by our Compensation Committee so that the amount of the annual bonus paid to each NEO under the Senior Executive Bonus Plan is consistent with the performance objectives that we establish for any particular fiscal year under our Bonus Program. Thus, our Bonus Program for our Named Executive Officers, as it is currently in effect and as it may be modified by the Compensation Committee from time to time, is intended to fit within the framework of negative discretion under the Senior Executive Bonus Plan and thereby to provide our Compensation Committee with the maximum flexibility in designing our Bonus Program while at the same time preserving the full deductibility of bonuses paid under the Bonus Program.

As in Fiscal 2016, Adjusted EBITDA was the sole performance criteria on which annual bonuses were based for Fiscal 2017. Our Compensation Committee believes that Adjusted EBITDA is the most important driver of value and that having solely an Adjusted EBITDA performance criterion creates a strong link between individual contribution and Company performance.



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In Fiscal 2017, each NEO was assigned a target annual bonus equal to a percentage of his or her base salary, as set forth in the table below. As under the prior Bonus Program, Mr. Chambers' target annual bonus was equal to 100% of his base salary, and, for the other Named Executive Officers, the target annual bonus is equal to 75% of base salary with the exception of Mr. Riley. Mr. Riley's target bonus was changed in Fiscal 2017 from 80% of his base salary to 100% of his base salary. See Executive Compensation Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements.

Named Executive Officer	Fiscal 2017 Base Salary	Target Fiscal 2017 Bonus
Norman C. Chambers	\$ 825,000	825,000
Donald R. Riley	\$ 750,000	750,000
Mark E. Johnson	\$ 436,000	327,000
Todd R. Moore	\$ 359,000	269,250
John L. Kuzdal	\$ 400,000	300,000
Katy K. Theroux	\$ 400,000	300,000

Under the Fiscal 2017 Bonus Program, in order for any bonuses to be paid, Adjusted EBITDA must equal or exceed 75% of the performance goal set by our Compensation Committee. For performance above this 75% threshold, payments under the Bonus Program are made as follows:

If Adjusted EBITDA equals 75% of the performance goal, 35% of the target annual bonus will be paid to each NEO.

If Adjusted EBITDA equals 100% of the performance goal, 100% of the target annual bonus will be paid to each NEO.

If Adjusted EBITDA equals 125% of the performance goal, 200% of the target annual bonus will be paid to each NEO (which 200% amount is also the maximum bonus level that may be paid under the Bonus Program).

Adjusted EBITDA performance between these three levels is determined by linear interpolation. Total annual bonuses for all employees, including non-management employees, may not exceed 15% of NCI's adjusted pre-tax profit for Fiscal 2017, calculated in accordance with the Bonus Program, before accrual for bonuses and before share-based compensation expense under the Incentive Plan, and may also not exceed the maximum amounts payable under the Senior Executive Bonus Plan.

For Fiscal 2017, NCI achieved Adjusted EBITDA of \$168 million against target Adjusted EBITDA of \$192 million.

This achievement level corresponded to a bonus payout at 66.7% of target bonus levels. The Compensation Committee did not exercise any discretion to increase or decrease these payout levels, resulting in the bonuses shown in the following table:

Named Executive Officer	Fiscal 2017 Bonus Earned	Total Bonus as a Percentage of Salary Base
Norman C. Chambers	\$ 550,902	67 %
Donald R. Riley	\$ 434,044	58 %
Mark E. Johnson	\$ 218,358	50 %
Todd R. Moore	\$ 179,794	50 %
John L. Kuzdal	\$ 200,328	50 %
Katy K. Theroux	\$ 186,639	47 %

We expect the Fiscal 2018 Bonus Program to be substantially similar to the Fiscal 2017 Bonus Program, including being based solely on Adjusted EBITDA.

## **Long-Term Incentive Compensation**

### **Generally**

Our long-term incentive compensation is provided under the Incentive Plan, a stockholder-approved equity-based compensation plan that allows NCI to grant a variety of awards, including stock options,



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restricted stock, restricted stock units, stock appreciation rights, performance share awards, phantom stock awards and performance-based and other cash awards. Long-term incentive grants have typically been made in December of each year.

We believe that equity awards to our Named Executive Officers must be sufficient in size to provide a strong, long-term performance and retention incentive for executives and to increase their vested interest in NCI. The value of the equity awards granted to Named Executive Officers is based on individual performance assessments of each of the Named Executive Officers as well as other members of executive management.

### **Long-Term Incentive Awards Granted in Fiscal 2017 to NEOs**

In December 2016, our Compensation Committee made its annual grant of long-term incentives to our NEOs, referred to below as the FY 2017 Awards. Of the total value granted to an NEO, 40% of the value of the award consisted of restricted stock units and 60% of the value of the award consisted of performance share units. The restricted stock units are time-vesting based on continued employment, with one-third of the award vesting on the first December 15<sup>th</sup> (or the first business day thereafter) following the end of the Company's 2018, 2019 and 2020 fiscal years. The performance share units will vest based on the achievement of performance goals on December 15, 2019 (or the first business day thereafter) based on satisfaction of performance goals through the end of Fiscal 2018 and subject to continued employment. Upon a change in control, the awards will be assumed or replaced by economically equivalent alternative awards of the successor to NCI in the change in control, and, further, that these awards are intended to fully vest only to the extent that they are not assumed or replaced with alternative awards (see Executive Compensation Potential Payments upon Termination or Change in Control Double Trigger Equity Vesting Upon a Change in Control ).

The number of shares that may be received on vesting of the performance share units will depend upon the satisfaction of the performance goals, up to a maximum number of shares equal to 200% of the target number of performance share units.

The performance goals for FY 2017 Awards consist of cumulative free cash flow (weighted 40%), cumulative earnings per share (weighted 40%) and total shareholder return (weighted 20%), in each case during the performance period. Pro rata vesting of the FY 2017 Awards based on actual performance would occur if the NEO's employment terminates during the performance period without cause or with good reason, or by reason of the NEO's death or permanent disability, and vesting at maximum levels would occur upon a change in control of the Company.

The number of FY 2017 Awards granted to each NEO is set forth in the following table:

Named Executive Officer	Number of Restricted Stock Units Granted	Number of Performance Share Units Granted
Norman C. Chambers	65,150	97,724
Donald R. Riley	43,902	31,272
Mark E. Johnson	26,060	39,090
Todd R. Moore	12,379	18,568
John L. Kuzdal	14,333	21,500
Katy K. Theroux	16,413	15,636

In addition, in December 2016, the Compensation Committee granted a number of one-time awards to the following NEOs in the following amounts, which are reflected in the aggregate figures in the table above: (1) Donald Riley (3,909 restricted stock units; 5,864 performance share units), (2) Mark Johnson (3,909 restricted stock units; 5,864 performance share units), (3) Todd Moore (2,606 restricted stock units; 3,909 performance share units), (4) John Kuzdal (2,606 restricted stock units; 3,909 performance share units) and (5) Katy Theroux (2,606 restricted stock units; 3,909 performance share units). In July 2017, the Compensation Committee granted one-time awards to Donald Riley, in connection with his promotion to President and Chief Executive Officer (23,054 restricted stock units), and to Katy Theroux, in connection with her promotion to Executive Vice President, Corporate Marketing and Chief Human Resources Officer (5,989 restricted stock units).

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**Long-Term Incentive Awards Granted in Fiscal 2018 to NEOs**

In December 2017, our Compensation Committee made its annual grant of long-term incentives to our NEOs, referred to below as the FY 2018 Awards. The terms of the FY 2018 Awards are substantially consistent with the FY 2017 Awards described above, however, the performance share units granted in FY 2018 will vest in part based on the achievement of performance goals measured over a period of two consecutive fiscal years, ending with the 2019 fiscal year, and in part based on the achievement of performance goals measured over a period of three consecutive fiscal years, ending with the 2020 fiscal year, in each case subject to continued employment. The number of FY 2018 Awards granted to each NEO is set forth in the following table: