

NCI BUILDING SYSTEMS INC  
Form DEF 14A  
January 28, 2013

**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

Filed by a Party other than the Registrant

Check the appropriate box:

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

**NCI BUILDING SYSTEMS, INC.**

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.  
(1) Title of each class of securities to which transaction applies:  
(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how much it was determined):

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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 28, 2013

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. on Tuesday, February 26, 2013, at the NCI Conference Center located at 7313 Fairview, Houston, Texas 77041. At this meeting you will be asked to:

- Proposal 1: Elect the three (3) Class II directors named in the accompanying proxy statement to serve until the (1) 2016 Annual Meeting of Stockholders or until their respective successors have been elected and shall have qualified;
- (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 2013; 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,

NORMAN C. CHAMBERS

NORMAN C. CHAMBERS  
*Chairman of the Board, 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 26, 2013**

The Annual Meeting of Stockholders of NCI Building Systems, Inc. will be held at the NCI Conference Center located at 7313 Fairview, Houston, Texas 77041, on Tuesday, February 26, 2013, at 10:00 a.m. The Annual Meeting of Stockholders will be held for the following purposes:

1. Proposal 1: The election of the three (3) Class II directors named in the accompanying proxy statement to serve until the 2016 Annual Meeting of Stockholders or until their respective successors have been elected and shall have qualified;
2. Proposal 2: Approval of the amendment and restatement of the 2003 Long-Term Stock Incentive Plan;
3. Proposal 3: Ratification of the appointment of Ernst & Young LLP as NCI Building Systems, Inc.'s independent registered public accounting firm for fiscal 2013; and
4. The transaction of 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 15, 2013 are entitled to notice of, and to vote at, the meeting or any reconvened meeting following any adjournment or postponement thereof.

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

*Executive Vice President, General Counsel and  
Corporate Secretary*

January 28, 2013

**Important Notice Regarding the Availability of  
Proxy Materials for the Stockholder Meeting To Be Held February 26, 2013**

The Notice of Annual Meeting of Stockholders, our Proxy Statement, and 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 26, 2013**

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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 26, 2013

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 February 26, 2013. 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.

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 28, 2013.

## **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 year scheduled to end on November 3, 2013 ( Fiscal 2013 ); 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.

At our 2011 Annual Meeting, our stockholders voted in favor of holding an advisory vote on our executive compensation every three years. Our Board has determined that we should follow the stockholders recommendation. The next advisory vote on executive compensation will be taken at our 2014 Annual Meeting.

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## **SOLICITATION OF PROXIES**

Our Board is soliciting proxies from the holders of record of our Common Stock at the close of business on January 15, 2013. 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 Investor Services, Inc., 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 stockholders 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 15, 2013. At the close of business on that date we had 20,623,285 shares of Common Stock and 339,293 shares of Preferred Stock issued and outstanding and entitled to be voted at the Annual Meeting. Each of the shares of Preferred Stock is entitled to vote on an as-converted basis, and the Preferred Shares together have a number of votes equivalent to 54,136,818 shares of Common Stock. 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 15, 2013 (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 and Preferred Stock. Unless otherwise noted, the mailing address of each person or entity named below is 10943 North Sam Houston Parkway West, Houston, Texas 77064.

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Name of Beneficial Owner or Group	Beneficial Ownership <sup>(1)</sup>	
	Number of Shares	Percent
	<b>Preferred Stock</b>	
Clayton Dubilier & Rice Fund VIII, L.P. <sup>(2)</sup>	338,440	99.75
CD&R Friends & Family Fund VIII, L.P. <sup>(2)</sup>	854	0.25
Investment Funds Associated With or Designated by Clayton, Dubilier & Rice, LLC <sup>(2)</sup>	339,293	100.00
	<b>Common Stock</b>	
Royce & Associates LLC <sup>(3)</sup>		
745 Fifth Avenue	1,514,129	7.34
New York, NY 10151		
Covalent Partners, LLC		
255 Washington St.	1,301,110	6.31
Newton, MA 02458		
BlackRock Fund Advisors <sup>(3)</sup>		
40 East 52 <sup>nd</sup> Street	1,161,110	5.63
New York, NY 10022		
Norman C. Chambers <sup>(4)</sup>	924,224	4.35
Kathleen J. Affeldt <sup>(4)</sup>	18,449	*
James G. Berges <sup>(4)(5)</sup>		*
Gary L. Forbes <sup>(4)</sup>	36,901	*
John J. Holland <sup>(4)</sup>	13,922	*
Lawrence J. Kremer <sup>(4)</sup>	9,096	*
George Martinez <sup>(4)</sup>	29,484	*
Nathan K. Sleeper <sup>(4)(5)</sup>		*
Jonathan L. Zrebiec <sup>(4)(5)</sup>		*
Mark W. Dobbins <sup>(4)</sup>	346,245	1.66
Mark E. Johnson <sup>(4)</sup>	416,125	1.99
Todd R. Moore <sup>(4)</sup>	182,331	*
Bradley D. Robeson <sup>(4)</sup>	208,618	1.00
All directors and executive officers as a group (19 persons) <sup>(6)</sup>	2,615,756	12.50

\*

Less than 1%.

Includes shares beneficially owned by the listed persons, including shares owned under our 401(k) Profit Sharing Plan and phantom units owned under our Deferred Compensation Plan. If a person has the right to acquire beneficial ownership of any shares by exercise of options previously granted within 60 days after the Ownership

- (1) 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 table accompanying footnote 4 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 33,593 shares of Common Stock issued to Clayton, Dubilier & Rice, LLC ( CD&R, LLC ), as assignee of director compensation payable to Messrs. Berges, Sleeper and Zrebiec. The Investors have the right to vote with the holders of Common Stock on an as-converted basis (without taking into account any limitations on convertibility that may then be applicable). At an initial conversion price of \$6.374, the 339,293 shares of Preferred Stock held by the Investors are convertible into 54,136,818 shares of Common Stock, broken down as follows: (i) 54,001,629 shares of Common Stock into which

338,440 shares of Preferred Stock held by Clayton, Dubilier & Rice Fund VIII, L.P. are convertible; and (ii) 135,189 shares of Common Stock into which 853 shares of Preferred Stock held by CD&R Friends & Family Fund VIII, L.P. are convertible. The Investors hold approximately 72.4% of the voting power of NCI.

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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 and Preferred 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). All members of the Investment Committee 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 by CD&R, LLC and of the stock options held by CD&R, LLC. The Investors expressly disclaim beneficial ownership of the shares held by CD&R, LLC and of the stock options held by CD&R, LLC. 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, Uglund House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands, British West Indies. The address for CD&R, LLC is 375 Park Avenue, 18<sup>th</sup> Floor, New York, NY 10152.

(3) This information is based solely on the most recent filings made by such beneficial owners with the Securities and Exchange Commission (the SEC) on Schedule 13G or 13G/A.

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 restricted stock has the right to vote his or her shares but may not transfer them until they have vested.

	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)
Norman C. Chambers	503,819	168,952	148,619
Kathleen J. Affeldt	7,947	13,841	4,277
James G. Berges <sup>(5)</sup>			
Gary L. Forbes	332		12,818
John J. Holland	3,973	6,921	7,738
Lawrence J. Kremer	1,986	5,562	8,418
George Martinez	1,373		12,818
Nathan K. Sleeper <sup>(5)</sup>			
Jonathan L. Zrebiec <sup>(5)</sup>			
Mark W. Dobbins	197,038	67,619	54,192
Mark E. Johnson	262,690	87,564	66,616

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Todd R. Moore	82,327	29,230	39,630
Bradley D. Robeson	137,951	78,443	22,003

Does not include 339,293 shares of Preferred Stock held by investment funds associated with or designated by CD&R, LLC, or 33,593 shares of Common Stock issued to CD&R, LLC, as assignee of compensation payable to (5) Messrs. Berges, Sleeper and Zrebiec. Messrs. 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.

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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 (6) exercisable on the Ownership Date or within 60 days after the Ownership Date and excludes options not 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 restricted stock has the right to vote his or her shares but may not transfer them until they have vested.

	Options		Unvested
	Exercisable (included in the table above)	Not Exercisable within 60 days (not included in the table above)	Restricted Stock (included in the table above)
Richard W. Allen			20,293
Eric J. Brown	39,896	12,691	35,844
Mark T. Golladay	2,083	2,084	15,013
John L. Kuzdal	103,521	67,021	20,734
Rick D. Morrow	422		16,055
Robert D. Ronchetto			11,634

**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. Each share of Preferred Stock will be entitled to vote on an as-converted basis with the holders of the Common Stock on all matters submitted to the Annual Meeting, voting as a single class. 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.

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. 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 Preferred Stock representing approximately 72.4% 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 November 3, 2013, 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, abstentions have 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 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.

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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. For purposes of Proposal 2, broker non-votes could impair our ability to satisfy the NYSE requirement that the total votes cast on the proposal represent over 50% of the stock entitled to vote on the proposal.

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

Our Restated Certificate of Incorporation (the Certificate of Incorporation ) and Third 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 ten.

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. In addition, there is one vacancy on our Board which can be filled at any time by the Investors. 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 II directors expire at this Annual Meeting and the terms of office of each of the Class III and Class I directors expire at the Annual Meetings in 2014 and 2015, respectively.

Three Class II directors are to be elected at the Annual Meeting for a term expiring at the Annual Meeting to be held in 2016, or until their respective successors are duly elected and qualified. 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 II Nominees For Election As Directors Who Serve Until The Annual Meeting To Be Held In 2016:**

**Gary L. Forbes**

Mr. Forbes, age 68, has served as a director since December 1991. Mr. Forbes serves on the Executive Committee, Affiliate Transactions Committee, Nominating and Corporate Governance Committee, and Preferred Dividend Payment 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 is a director of Consolidated Graphics, Inc., a publicly traded commercial printing company. Mr. Forbes previously served on the board of directors of Carriage Services, Inc., a publicly traded

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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's 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 72, has served as a director since March 2003. He serves on the Audit Committee, Affiliate Transactions Committee and is the Chairman of the Preferred Dividend Payment Committee of our Board of Directors. Mr. Martinez is Chief Executive Officer of Allegiance Bank Texas, a Houston commercial bank that opened for business in October 2007. He has been active as a bank executive in Houston for over 30 years and is the former Chairman of Sterling Bancshares, Inc., a publicly-traded bank holding company, having served as Chairman of the Board from 2001 to 2004 and as Chief Executive Officer from 1980 to 2001. Mr. Martinez has served as President of Chrysalis Partners, LLC, a performance consulting firm, since 1999 and currently serves as Senior Consultant with the firm. He serves his community on the board of directors of Lone Star College Foundation, CHRISTUS Foundation for Healthcare 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 33, has served as a director since November 2009. Mr. Zrebiec is a financial principal 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., Hussmann International, Inc., Roofing Supply Group, LLC and Wilsonart International Holdings LLC. 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.

## **Vote Required**

The affirmative vote of a plurality of all of the votes cast at the Annual Meeting is required for approval of 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 Preferred Stock representing approximately 72.4% of the outstanding voting power of NCI, have expressed their intention to vote For Proposal 1.

## **Recommendation of our Board of Directors**

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

### **Directors Remaining In Office**

**Class III Directors Who Serve Until The Annual Meeting To Be Held In 2014:**

#### **Norman C. Chambers**

Mr. Chambers, age 63, has served as our Chairman of the Board since January 2008 and as our President and Chief Executive Officer since January 2007. He served as our President and Chief Operating Officer from

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April 2004 to January 2007 and has served as one of our directors since May 2003. Mr. Chambers serves on the Executive Committee and Preferred Dividend Payment Committee of our Board of Directors. Mr. Chambers was a director and President of Comfort Systems USA, Inc., a provider of heating, ventilation and air conditioning services, from November 2002 until April 2004 and also served as Chief Operating Officer from February 2003 until April 2004. From November 2001 to October 2002, Mr. Chambers was Chief Operating Officer of Capstone Turbine Corporation, a distributive generation technology company. From April 2000 to September 2001, Mr. Chambers served as President and Chief Executive Officer of Petrocosm Corporation, a privately held e-commerce business serving the energy industry. From June 1985 to April 2000, Mr. Chambers served in various executive positions with Halliburton Company, a provider of energy services and related engineering and construction services, and its subsidiaries. In 2011, Mr. Chambers was appointed to serve as a director of the Business Executives for National Security. Mr. Chambers is a director of the U.S. Chamber of Commerce. In 2011, Mr. Chambers was appointed to serve as chairman of the Let's Rebuild America Leadership Council of the U.S. Chamber of Commerce. Mr. Chambers has over thirty-five years of experience in the engineering and construction industry. Mr. Chambers earned a B.A. from Springfield College and a M.B.A. from Boston College.

**Director Qualifications:** Mr. Chambers' extensive financial and executive management experience provides him with the necessary skills to be Chairman of our Board of Directors. As a result of his experience, he has dealt with many of the major issues we deal with today, such as financial, strategic planning, compensation, management development, acquisitions, capital allocation, government and stockholder relations. He has developed in-depth knowledge of the engineering and construction industry generally and, as our Chief Executive Officer for the last three years, our company in particular.

## **Kathleen J. Affeldt**

Ms. Affeldt, age 64, has served as a director since November 2009. Ms. Affeldt is the Chairperson of the Compensation Committee and also serves on the Preferred Dividend Payment 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 currently serves as a director of BTE, Inc. and as a director of Sally Beauty Holdings where she serves as the Chair of that board's Compensation Committee. 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.

## **Nathan K. Sleeper**

Mr. Sleeper, age 39, has served as a director since October 2009. Mr. Sleeper serves on the Compensation Committee, Nominating and Corporate Governance 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. Mr. Sleeper currently serves as a director of US Foods, Inc., a director of HD Supply, Inc., a director of Atkore

International Group, Inc., a director of Hussmann International, Inc., a director of Roofing Supply Group, LLC, and as a director of Wilsonart International Holdings LLC. 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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**Class I Directors Who Serve Until The Annual Meeting To Be Held In 2015:**

**James G. Berges**

Mr. Berges, age 65, has served as a director since October 2009. Mr. Berges is the Chairman of the Executive Committee and 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, electronics and communications, and appliances and tools.

He is also Chairman of the Board of HD Supply, Inc., Chairman of the Board of Hussmann International, Inc., a director of PPG Industries, Inc., a public company, and a director of Atkore International Group, Inc. From November 2009 to August 2010, Mr. Berges was a director of Diversey, Inc., and from October 2006 to August 2012, he was Chairman of the Board of Sally Beauty Holdings. 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 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 the challenges currently faced by companies in a variety of markets.

**Lawrence J. Kremer**

Mr. Kremer, age 71, has served as a director since October 2009. Mr. Kremer serves on the Preferred Dividend Payment Committee and 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 George Koch Sons LLC, a privately held company producing a wide variety of components for the automotive and mining industries, and St. Mary's Hospital System, a Midwest Regional Hospital. Mr. Kremer serves as Chairman of the Board of Trustees of the University of Evansville. Mr. Kremer holds a B.S. and M.B.A from the University of Evansville.

Director Qualifications: Mr. Kremer's leadership roles in global manufacturing brings 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 62, has served as a director since November 2009. Mr. Holland serves on the Affiliate Transactions Committee, Audit Committee, Compensation Committee, and Preferred Dividend Payment Committee of our Board of Directors. Mr. Holland has been the President of the International Copper Association since February 2012. The International Copper Association is a marketing association for the copper industry. Mr. Holland has been the President of Greentree Advisors, LLC since 2004. Mr. Holland was the President, Chief Operating Officer and Chief Financial Officer of MMFX Technologies Corporation 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 Executive Officer from 1999 to 2004, and as President from 1999 to 2001. Mr. Holland is a director of Cooper Tire & Rubber Co. and 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 provides the Board with perspective on the particular strategic, manufacturing, sales and marketing, 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.

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

On October 16, 2012, our Board approved an amendment to our 2003 Long-Term Stock Incentive Plan, as most recently amended and restated as of February 19, 2010 (the Incentive Plan ). The proposed amended and restated Incentive Plan is set forth in Annex A to this proxy statement.

The amendment of the Incentive Plan will increase the number of shares of Common Stock reserved for issuance under the Incentive Plan by 5,000,000 shares of Common Stock, subject to approval by the stockholders of NCI. Currently, a maximum of 6,400,000 shares of Common Stock are reserved for awards under the Incentive Plan, of which 798,067 shares remain available for future grants under the Incentive Plan as of January 15, 2013. If the proposal is approved, an additional 5,000,000 shares of Common Stock will be reserved for awards under the Incentive Plan, thus bringing the maximum number of shares reserved for awards under the Incentive Plan to 11,400,000 shares. In addition, the amendment of the Incentive Plan will also increase (1) the number of shares of Common Stock any individual may be granted during any fiscal year from 900,000 to 3,000,000 and (2) the amount of cash awards that may be paid to any individual during any fiscal year from \$1 million to \$3 million. For information on the deductibility of compensation related to awards granted under the Incentive Plan, see Federal Income Tax Consequences Certain Tax Code Limitations on Deductibility below.

The Incentive Plan s purposes remain unchanged and are to:

- attract and retain the best available personnel;
- provide additional incentives to employees, directors and consultants;
- increase the Incentive Plan participants interest in our welfare; and
- promote the success of our business.

Our stockholders originally approved the Incentive Plan at the annual meeting of stockholders held on March 14, 2003, and our stockholders approved an amended and restated plan at the annual meeting of stockholders held on March 12, 2008. On February 19, 2010, our stockholders approved the Incentive Plan (which was a further amendment and restatement of these predecessor plans). The February 2010 amendment and restatement increased the number of shares of Common Stock reserved for issuance under the plan to 6,400,000 shares (the adjusted number of reserved shares following the reverse split of our shares that occurred on February 19, 2010).

Our Board believes that the Incentive Plan is achieving its objectives. At January 15, 2013, we had 798,067 shares remaining available for future grants under the Incentive Plan. Therefore, our Board believes it is necessary to increase the number of shares of Common Stock reserved for issuance under the Incentive Plan, as well as increase the individual limitations.

### **Summary of the 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.

## 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;

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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 250.

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 6,400,000. The amendment to the Incentive Plan would increase this number of shares to 11,400,000. All awards relating to any of these additional shares will be subject to stockholders approval of the amendment to the Incentive Plan. The proposed 11,400,000 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 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 900,000 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 \$1,000,000 (these are figures resulting from the reverse split of our shares effected in February 2010). These figures are being increased as part of the amendment to 3 million and \$3,000,000. The shares issued under the Incentive Plan may be issued from shares held in treasury or from authorized and unissued shares.

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.

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.

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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.

The Compensation Committee may authorize the assumption of awards granted by other entities that are acquired by us or otherwise.

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.

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.

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:

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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 of control, or other appropriate event as determined by the Compensation Committee.

A participant will have the right to receive dividends with respect to the shares of Common Stock subject to the restricted stock award and 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.

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.

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**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;
    - 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

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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 the awards meet the requirements for being performance-based. 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. A change in control is deemed to have occurred if:

any person acquires beneficial ownership of 20% or more of our voting securities; 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, 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.

### **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 in awards under the Incentive Plan.

### **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 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.

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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.

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

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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. Absent a Section 83(b) election, any cash dividends or other distributions paid with respect to the restricted stock prior to the lapse of the restrictions or risk of forfeiture will be included in the employee's ordinary income as compensation at the time of receipt and subsequent appreciation or depreciation will be recognized as capital gain or loss, assuming that the shares represent a capital asset in the hands of the employee.

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**

Section 162(m) of the Code generally disallows 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 four other most highly compensated executive officers who are employed by the corporation on the last day of the taxable year, but does not disallow a deduction for performance-based compensation the material terms of which are disclosed to and approved by stockholders. We have structured and intend to implement the Incentive Plan so that resulting compensation would be performance-based compensation. To allow us to qualify the compensation, we obtained stockholder approval of the Incentive Plan and the material terms of the related performance goals at our February 19, 2010 stockholder meeting. 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 provides for immediate vesting of all then outstanding unvested awards upon a change of control. If the vesting of the award is accelerated as the result of a change of 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 of control equals or exceeds three times the grantee's average annual compensation for the five taxable years preceding the change of 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 of 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.

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**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 shall 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 Plan Benefits**

Participation in the Incentive Plan is determined on an individual basis by the Compensation Committee from time to time. Accordingly, future benefits under the equity plan are not determinable. The Compensation Committee has adopted a policy under which it grants awards under the Incentive Plan on December 15 of each year. In addition, in July 2012, the Compensation Committee approved a one-time grant of performance share units ( PSUs ) for our Named Executive Officers (as defined under Compensation Discussion & Analysis below). The PSU awards are in lieu of all equity compensation to be granted between July 2012 and January 2015, as described in greater detail below. See Compensation Discussion & Analysis Elements of Executive Compensation Long-Term Incentive Compensation. Annual equity awards are not expected to be made to individuals who received PSUs until Fiscal 2015, at the earliest. The grant of the PSUs was not conditioned on approval by the stockholders of this Proposal 2 because, prior to the grant of the PSUs, we received written assurances from the Investors of their intention to vote their voting capital stock in favor of a proposal increasing the number of shares of Common Stock available under the Incentive Plan by not less than the number necessary to satisfy the number of shares that could be issued under the PSUs assuming maximum performance.

Equity grants to each of our Named Executive Officers for Fiscal 2012, including the PSU grants, are set forth in the Grants of Plan-Based Awards Table. In addition to the PSU grants, for Fiscal 2012, (i) executive employees as a group were granted 205,350 shares of our restricted Common Stock and 72,203 options; (ii) non-executive employees as a group were granted 440,419 shares of our restricted Common Stock and 11,790 restricted stock units; and (iii) non-executive directors as a group were granted 36,838 shares of our restricted Common Stock and 20,629 options. These restricted stock awards are also not conditioned on approval by the stockholders of this Proposal 2 because there are currently sufficient shares available under the Incentive Plan to satisfy these awards.

TABLE OF CONTENTS**New Plan Benefits Table**

The following table sets forth the PSU awards approved by the Compensation Committee in July, 2012 pursuant to the Incentive Plan.

Name and Position	2003 Long-Term Stock Incentive Plan		
	Dollar Value of Awards (\$) <sup>(1)</sup>	Target Number of Awards <sup>(2)</sup>	Types of Awards
Norman C. Chambers Chairman of the Board, President and Chief Executive Officer	5,400,000	270,000 <sup>(3)</sup>	PSUs
Mark E. Johnson, Executive Vice President, Chief Financial Officer and Treasurer	2,900,000	145,000	PSUs
Mark W. Dobbins, President of Metal Components Division	1,700,000	85,000	PSUs
Bradley D. Robeson, President of Engineered Buildings Division	1,700,000	85,000	PSUs
Todd R. Moore, Executive Vice President, General Counsel and Secretary Executive Group (including the NEOs named above)	1,700,000	85,000	PSUs
Non-Executive Director Group	20,450,000	1,022,500	PSUs
Non-Executive Officer Employee Group			N/A

(1) The dollar amounts reflected in this column are based on the target number of shares that could be issued under the PSUs. These dollar amounts assume a per share value of the Common Stock of \$20 per share, which is the minimum share value necessary for the holders to earn the target number of shares under the PSUs. The maximum value of these awards assuming the maximum number of shares were to be issued and valued at \$30 (the minimum share value necessary for the holders to earn the maximum number of shares under the PSUs) is \$24,300,000 for Mr. Chambers, \$13,050,000 for Mr. Johnson, \$7,650,000 for Mr. Dobbins, \$7,650,000 for Mr. Robeson and \$7,650,000 for Mr. Moore. The closing price of our Common Stock on January 15, 2013 was \$14.80. See Compensation Discussion & Analysis Long-Term Incentive Compensation.

(2) This column reflects the target number of PSUs that may be earned under the PSUs at the end of the three-year performance period. The PSU awards are in lieu of all equity compensation to be granted between July 2012 and January 2015, as described in greater detail below. See Compensation Discussion & Analysis Elements of Executive Compensation Long-Term Incentive Compensation. Annual equity awards are not expected to be made to individuals who received PSUs until Fiscal 2015, at the earliest. The maximum number of PSUs that may be earned at the end of the three-year performance period is 810,000 for Mr. Chambers, 435,000 for Mr. Johnson, 255,000 for Mr. Dobbins, 255,000 for Mr. Robeson and 255,000 for Mr. Moore.

(3) Because of Fiscal 2012 limitations on equity grants currently in effect under the Incentive Plan, Mr. Chambers was granted a target number of 270,000 PSUs in July 2012, and another 5,000 PSUs were granted in December 2012. The maximum number of PSUs that may be earned by Mr. Chambers, taking into effect the 5,000 PSU grant in December 2012, is 825,000, and the maximum value of these awards is \$24,750,000.



TABLE OF CONTENTSSECURITIES RESERVED FOR ISSUANCE UNDER  
EQUITY COMPENSATION PLANS

The following table sets forth the number of shares of our Common Stock reserved for issuance under our equity compensation plans as of the end of Fiscal 2012:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#)	Weighted Average Price of Outstanding Options, Warrants and Rights (\$)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a) <sup>(2)</sup> ) (#)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,100,060 <sup>(1)</sup>	16.11	1,233,492
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,100,060	16.11	1,233,492

(1) The weighted average term of outstanding options is 7.0 years.

All shares of Common Stock remaining available for issuance are under the Incentive Plan. As of January 15, 2013, we had 798,067 shares remaining available for issuance under the Incentive Plan. As of January 15, 2013, (2) 1,556,675 shares were outstanding in the form of restricted stock, 24,921 shares were subject to grants of restricted stock units and 1,027,500 PSUs at target levels have been granted. Please see Proposal 2: Approval of an Amendment to the 2003 Long-Term Stock Incentive Plan, for more information.

## Required Vote

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.

The Investors, which own or beneficially own shares of Preferred Stock representing approximately 72.4% of our outstanding voting power, have expressed their intention to vote for this Proposal 2.

## **Recommendation of the Board of Directors**

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A 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 November 3, 2013, 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 2013 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 November 3, 2013 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 NOVEMBER 3, 2013.**

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## MANAGEMENT

Our current executive officers are as follows:

Name	Position
Norman C. Chambers	Chairman of the Board, President and Chief Executive Officer
Mark E. Johnson	Executive Vice President, Chief Financial Officer and Treasurer
Mark W. Dobbins	President of Metal Components Division
Bradley D. Robeson	President of Engineered Buildings Division
John L. Kuzdal	President of Metal Coil Coating Division
Todd R. Moore	Executive Vice President, General Counsel and Corporate Secretary
Eric J. Brown	Executive Vice President and Chief Information Officer
Mark T. Golladay	Vice President, Corporate Development
Richard W. Allen	Vice President, Finance and Chief Accounting Officer
Robert D. Ronchetto	Vice President, Supply Chain Management
Rick D. Morrow	Vice President, Human Resources/Risk Management

Information concerning the business experience of Mr. Norman C. Chambers is provided under the section titled Election of Directors.

**Mark E. Johnson**, age 46, 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.

**Mark W. Dobbins**, age 54, has served as President of the Metal Components Division since March 2012. Previously, Mr. Dobbins served as Executive Vice President and Chief Operating Officer from March 2008 to March 2012. Mr. Dobbins served as President of the Engineered Buildings Division from September 2006 until March 2008 and as Vice President, Operations of the Metal Components Division from October 2000 until September 2006. Mr. Dobbins served as President of the American Building Components Division from January 2000 until October 2000. During 1999, he served as the Senior General Manager of Manufacturing of the Metal Components Division. Before joining NCI in 1998, Mr. Dobbins was employed by MBCI for over 10 years. Mr. Dobbins has over 20 years of experience in the metal building industry. Mr. Dobbins has a B.S. from Angelo State University and has completed the Advanced Management Program at Harvard Business School and the Operations Management Program at Kellogg School of Management.

**Bradley D. Robeson**, age 50, has served as President of the Engineered Buildings Division since March 2008 and as President of the Robertson-Ceco Division since November 2009. Mr. Robeson served as President of NCI's Metal Coil Coating Division from February 2006 until March 2008 and as the Vice President of Operations of the Metal Coaters Division from October 2005 until February 2006. From February 2001 until October 2005, Mr. Robeson served as Vice President and General Manager of Metal Prep, a Metal Coaters Division entity. From March 1996 until February 2001, Mr. Robeson served as Plant Manager for the NCILP Buildings Division. Prior to March 1996, Mr. Robeson served in various managerial positions with component companies ultimately acquired by NCI. Mr. Robeson has over

24 years industry experience. Mr. Robeson attended Linfield College where he majored in Business Administration and completed the Advanced Management Program at the Harvard Business School.

**John L. Kuzdal**, age 47, has served as President of the Metal Coil Coating Division since March 2008. He previously 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 the Metal Coaters

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Division 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.

**Todd R. Moore**, age 52, has served as our Executive Vice President and General Counsel since December 2007 and as our Vice President and General Counsel since March 2003. 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 employed by Gardere Wynne Sewell LLP, a Dallas law firm, for over nine years, during the last two years of which he was a partner. 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.

**Eric J. Brown**, age 55, has served as our Executive Vice President and Chief Information Officer since December 2007 and Vice President and Chief Information Officer since June 2004. Before joining NCI, Mr. Brown was Chief Information Officer of the Punahou School in Honolulu, Hawaii from 2002 until he joined NCI. From 2000 to 2002, Mr. Brown was Chief Information Officer of Petrocosm Corporation. From 1992 to 2000, Mr. Brown was a Director at KPMG Consulting LLC. Mr. Brown has a B.B.A. from the University of Hawaii.

**Mark T. Golladay**, age 50, has served as our Vice President of Corporate Development since December 2007. Mr. Golladay previously served as our Vice President of Corporate Purchasing from March 2006 to December 2007. Before joining NCI, Mr. Golladay was employed for twenty years by Butler Manufacturing Company, a company that produces metal building systems and architectural products for the nonresidential construction market, where he served as Finance Director for Butler Europe from 1999 to 2002, Director of Business Development from 2002 to 2003, Finance Director for Butler De Mexico from 2003 to 2004, and Managing Director for Butler De Mexico from 2004 to 2006. Mr. Golladay has a B.S. in Accounting and Business Administration from the University of Kansas.

**Richard W. Allen**, age 37, has served as our Vice President, Finance and Chief Accounting Officer since October 2010. Mr. Allen previously served as our Vice President, Finance and Corporate Controller since January 2008 and, before that, as our Director of Corporate Accounting Services since April 2007. Before joining NCI, Mr. Allen was employed by Deloitte & Touche LLP, where he served as an Audit Senior Manager from 2004 to 2007 and Audit Manager from 2002 to 2004. Mr. Allen has a B.A. in Accounting from Stephen F. Austin State University and a M.B.A. from the University of Houston.

**Rick D. Morrow**, age 52, has served as our Vice President of Human Resources/Risk Management since 2005. Previously, Mr. Morrow served as General Manager of Human Resources from 1998 until 2005, Human Resources Manager in the Metal Components Division from 1995 to 1998, and as Safety Manager in the Metal Components Division from 1990 until 1995. Before joining the Metal Components Division in 1990, Mr. Morrow served as a Loss Control Consultant with CNA Insurance Company from 1989 to 1990, and as a Loss Control Specialist with American General Fire and Casualty from 1987 to 1989. Mr. Morrow earned his BBA degree from the University of North Texas.

**Robert D. Ronchetto**, age 46, has served as our Vice President of Supply Chain Management since December 2011. 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 a M.B.A. from St. Louis 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 Chief Financial Officer and our three other most highly compensated executive officers for the fiscal year ended October 28, 2012 ( Fiscal 2012 ) and certain compensation actions taken in Fiscal 2012. (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 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:

Norman C. Chambers, Chairman of the Board, President and Chief Executive Officer;  
Mark E. Johnson, Executive Vice President, Chief Financial Officer and Treasurer;  
Mark W. Dobbins, President of Metal Components Division;  
Bradley D. Robeson, President of Engineered Buildings Division; and  
Todd R. Moore, Executive Vice President, General Counsel and Corporate Secretary.

As discussed in greater detail below, we made adjustments to the compensation provided to certain of our Named Executive Officers in Fiscal 2012, primarily in the areas of base salary (in which we increased the base salaries of our NEOs other than the CEO), annual incentive compensation (in which we elected to reduce the annual bonuses payable to our NEOs) and long-term compensation (in which we awarded a new form of award, performance share units, in lieu of our historical practice of granting options and restricted stock). The actions taken with respect to Fiscal 2012 compensation of our Named Executive Officers were consistent with our compensation objectives and philosophy and reflect the difficult economic conditions we faced during the year and continue to face. Furthermore, in light of the strong approval by our stockholders at our 2011 Annual Meeting of our executive compensation practices, we did not implement any changes to our compensation practices as a result of such vote. We intend to continuously monitor and evaluate our compensation practices to ensure that they remain aligned with our compensation objectives.

## Summary of Compensation Matters for Fiscal 2012

We believe our Fiscal 2012 financial performance was strong even though a challenging and uncertain economic climate persisted during the year. During Fiscal 2012 we:

Increased revenues by 20% to \$1.2 billion.

Increased adjusted EBITDA to \$76.5 million, up 115% from Fiscal 2011.

Improved cash flow from operations to \$47.7 million from \$41.4 million in Fiscal 2011.

Swung to \$31.7 million of operating profit from a \$1.6 million loss in Fiscal 2011.

Achieved a stock price of \$11.24 per share at the close of Fiscal 2012, 18.7% above the Fiscal 2011 closing price of \$9.47.

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 28, 2012.

During Fiscal 2012, we compensated the NEOs in a manner consistent with our pay-for-performance philosophy. We paid the following amounts as more fully described in this CD&A:

Our Compensation Committee authorized base salary increases for our NEOs of between 3.2% and 8.4%. However, our CEO declined a salary increase.

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Although substantially above-target annual cash bonuses resulted from the calculation of our year-over-year growth in earnings per share, our Compensation Committee exercised its discretion to lower the actual bonus amounts in recognition of the fact that we have not yet returned overall profitability; and We granted annual long-term incentive awards in December 2011 and made a special award of performance share units in August 2012, further aligning the interests of our Named Executive Officers with the long-run interests of our stockholders.

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

Our executive compensation philosophy is that executive pay should be linked to the performance of NCI and the individual executives, and should be designed to attract, retain and motivate the executives necessary to accomplish NCI's business strategy.

Our Compensation Committee has established objectives for our executive compensation programs. NCI believes that the quality, skill and dedication of its executive officers are critical factors affecting the long-term success of NCI. Our key compensation goals are to attract, retain and motivate exceptional executives, to reward past performance measured against established goals, to provide incentives for future performance, and to align executives' long-term interests with the interests of our stockholders.

In designing our compensation programs, we use a combination of short- and long-term incentive compensation to reward near-term excellent performance and to encourage executives' commitment to NCI's long-range, strategic business goals. NCI operates in an intensely competitive industry and has experienced challenges caused by volatility in the price of steel, industry cyclicalities and seasonality, fluctuations in demand and poor economic conditions affecting the construction industry. The Compensation Committee believes NCI's depressed stock price continues to be a challenge to retention that both long- and short-term incentives can address. 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, stock options and PSUs 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, stock options, and PSUs, respectively. Our goal is to increase the proportion of long-term compensation as an executive's responsibility within our company increases.

## **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 the five fiscal years prior to Fiscal 2012, the Compensation Committee had not used the services of any compensation consultants. As discussed below, in Fiscal 2012, AON Hewitt was retained to assist the Compensation Committee in its review of NCI's executive compensation program. The Compensation Committee also relies on its judgment, prior experience, and the judgment of our CEO, Mr. Chambers, 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 return on assets;

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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, 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. The Compensation Committee's charter provides that it may retain advisors, including compensation consultants, in its sole discretion.

## **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 2012, Mr. Chambers 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' evaluations of other Named Executive Officers whose day-to-day performance is not as visible to the committee as it is to Mr. Chambers.

During Fiscal 2012, the Compensation Committee directed the Company to retain the services of AON Hewitt (the consultant) on its behalf as part of the Compensation Committee's review of executive officer compensation. The Compensation Committee believed it was prudent to retain a compensation consultant to review our executive compensation program because the last review by a consultant occurred during Fiscal 2006. The Compensation Committee further recognized that base salaries have remained the same for NEOs since Fiscal 2008, with the exception of Mr. Robeson, and that no annual cash bonuses have been awarded since Fiscal 2008. In hiring the consultant, the Compensation Committee intended to ascertain whether senior management's compensation was sufficient to accomplish our compensation program's objectives or whether changes would be necessary or appropriate to do so.

While the consultant was engaged primarily to advise the Compensation Committee on the competitive posture of base salary compensation levels of our senior management, to do so it was also charged with providing information as to how base salary levels related to the total compensation levels of our senior management. In the scope of its review, the consultant (i) compared all forms of direct compensation (including base salary, annual incentives, long-term incentives, and total direct compensation) of our senior management to estimated marketplace compensation levels developed by the consultant's Total Compensation Measurement Executive Compensation Database (Compensation Database), which is a proprietary database maintained by the consultant and which NCI played no role in developing or applying to NCI; (ii) worked with human resources to gain a solid understanding of the role of each senior management position in the consultant's analysis to ensure proper benchmarking to the survey, and (iii) prepared a report that provided the consultant's methodologies, findings, and conclusions. The consultant did not provide any advice or recommendation to the Committee with respect to the amount or form of compensation paid to our Named Executive Officers.

The consultant provided the Compensation Committee with a report that included formal benchmarking of our senior management's compensation against general industry companies in the Compensation Database selected by the consultant with similar levels of revenue to NCI. NCI did not select, approve or review a peer group from the

Compensation Database.

Following its review of our compensation program, the consultant concluded that NEO base salary levels, on average, were roughly at or near the 25<sup>th</sup> percentile of the group against which base salaries were benchmarked. However, target bonus levels were roughly at or near the 75<sup>th</sup> percentile of this group, and base salary plus target bonus levels were roughly at or near the 50<sup>th</sup> percentile. This finding was consistent with

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our pay-for-performance policies, which allocates a greater portion of our NEOs' compensation through bonuses rather than as guaranteed base salary. The consultant's report also revealed that our long-term incentive levels, on average, approximated the estimated marketplace 25<sup>th</sup> percentile. When these compensation levels were evaluated as a whole, the consultant's report concluded that, while our target total compensation levels fall between the 25<sup>th</sup> and 50<sup>th</sup> percentiles, actual total compensation levels fall near the 25<sup>th</sup> percentile. The Compensation Committee determined to take only one action based on its review of the consultant's report, in the form of modest increases in base salaries, on the terms and for the reasons described under Elements of Executive Compensation - Base Salary below. Later in Fiscal 2012, the Compensation Committee also determined to make changes to the structure of the NEOs' long-term incentives by awarding performance share units to our NEOs (see Elements of Executive Compensation - Long-Term Incentive Compensation below); however, these awards were not based on the consultant's review or findings.

## Elements of Executive Compensation

The principal elements of compensation provided to our Named Executive Officers historically have consisted 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 stock options and restricted stock under NCI's 2003 Long-Term Stock Incentive Plan (the Incentive Plan). In Fiscal 2012, our long-term compensation also consisted of grants of PSUs. We have also adopted 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 the Named Executive Officer's responsibilities, experience and performance levels relative to other executives as well as 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.

In April 2012, the Compensation Committee reviewed the report provided by AON Hewitt. The report indicated that NCI's base salary levels, on average, fell near (but generally below) the estimated marketplace 25<sup>th</sup> percentile when compared to the companies against which NCI was compared in the Compensation Database. Following a review of the report, the Compensation Committee approved an increase in base salaries for the Named Executive Officers in the amounts reflected in the table below to bring base salaries closer to the 25<sup>th</sup> percentile. However, Mr. Chambers declined an increase in his base salary, and the Compensation Committee determined to review any changes to Mr. Chambers' salary at a future time. With the exception of Mr. Robeson in Fiscal 2011, the NEOs had not received a salary increase since Fiscal 2009.

Named Executive Officer	Fiscal 2011 Salary	Fiscal 2012 Salary	Percentage Increase
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Norman C. Chambers	\$ 750,000	\$ 750,000	0.0	%
Mark E. Johnson	\$ 332,000	\$ 360,000	8.4	%
Mark W. Dobbins	\$ 315,000	\$ 325,000	3.2	%
Bradley D. Robeson	\$ 290,500	\$ 310,000	6.5	%
Todd R. Moore	\$ 290,500	\$ 310,000	6.5	%

## 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.

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No cash bonuses were paid to any of our Named Executive Officers for Fiscal 2009, Fiscal 2010 or Fiscal 2011, as the design of our Bonus Program awards cash bonuses only when we achieve performance metrics that were not achieved in those years.

For Fiscal 2012, our Bonus Program for Named Executive Officers was tied to the specific performance metrics of return on operating assets ( ROA ) and increase in earnings per share ( EPS Growth ) for NCI as a whole. By focusing our senior leadership team on Company-wide results, we emphasize cooperation and coordination across all of our business units for the success of NCI as a whole, and we provide all business units comparable visibility into the achievement of those goals. As described above with respect to the consultant's report, we believe that the Bonus Program supports our pay-for-performance compensation philosophy by providing base salaries to our management group near the 25<sup>th</sup> percentile of comparable rates paid by other companies in exchange for generous bonuses when warranted by our performance. We also believe that EPS Growth as a bonus criterion for top management provides incentives to maximize stockholder value and growth, while ROA provides incentives to aggressively manage assets in relation to income and expenses. The calculations of ROA and EPS Growth generally exclude unusual or non-recurring expenses at the discretion of the Compensation Committee (including, for example, acquisition costs and debt refinancing costs) so as to focus the calculations solely on operational metrics. The Bonus Program provides that ROA is calculated by dividing (a) earnings before interest and taxes ( EBIT ) plus deferred financing costs and other approved non-recurring expenses by (b) assets, excluding cash, deferred taxes, indefinite-lived intangible assets and goodwill. We believe that the Bonus Program's calculation of ROA (including the adjustments referred to above) rewards employees and management for the underlying operational performance of NCI.

For Fiscal 2012, Named Executive Officers were eligible for annual cash bonuses equal to a percentage of their respective base salaries, contingent upon the achieved ROA and/or EPS Growth for the fiscal year. Mr. Chambers target annual bonus is equal to 100% of his base salary. For the other Named Executive Officers, the target annual bonus is equal to 75% of base salary. Under the Bonus Program as in effect for Fiscal 2012, no bonuses would be paid unless ROA was at least 5%. The percentage of base salary payable as a bonus increases proportionately with increases in the ROA and EPS Growth achieved.

There is no cap on the amount of an individual bonus that may be earned by our Named Executive Officers. However, total bonuses for all employees, including non-management employees, may not exceed 15% of NCI's adjusted pre-tax profit, calculated in accordance with the Bonus Program, before accrual for bonuses and before stock compensation expense under the Incentive Plan.

The following table shows, for illustrative purposes only, the effects of varying levels of ROA and EPS Growth on the cash bonus amounts payable to our executive officers (including the Named Executive Officers) and other participants under our Bonus Program.

EPS Growth	ROA	Percentage of Salary for Named Executive Officers, Except Mr. Chambers	Percentage of Salary for Mr. Chambers
0%	5%	0%	0%
0%	10%	8%	10%
0%	15%	23%	30%
5%	15%	30%	40%
10%	0%	0%	0%
10%	5%	8%	10%

10%	15%	38%	50%
20%	25%	83%	110%

For Fiscal 2012, NCI achieved ROA of 7.7% and EPS Growth of 225%, adjusted for non-recurring expenses. While (as described above) the Compensation Committee is willing to allocate a significant portion of the NEOs total compensation to incentive pay, including annual bonuses, resulting from superior performance, for Fiscal 2012 it was the Compensation Committee's determination that the application of the ROA and EPS Growth performance metrics in the Bonus Plan matrix resulted in overly high bonus amounts under the circumstances. These performance metrics, if applied mechanically, would have resulted in annual

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bonuses of 451% of base salary for our CEO, and 338% of base salary for the other NEOs. Because the Compensation Committee believed that EPS Growth did not reflect the true underlying performance of NCI for Fiscal 2012 as we reported negative EPS on a GAAP basis, the Compensation Committee exercised its discretion to disregard the EPS Growth results in determining the amount of bonuses to be paid. Instead, the Compensation Committee based its bonus determinations on the achievement of other business and financial goals set at the beginning of Fiscal 2012. Based on the aggregate results of such review, the Compensation Committee determined to award 20.4% of the target bonus to the Named Executive Officers.

Named Executive Officer	Fiscal 2011 Bonus Paid	Fiscal 2012 Bonus Paid	Percentage of Salary
Norman C. Chambers	\$ 0	\$ 153,000	20.4 %
Mark E. Johnson	\$ 0	\$ 55,080	15.9 %
Mark W. Dobbins	\$ 0	\$ 49,725	15.5 %
Bradley D. Robeson	\$ 0	\$ 47,430	15.8 %
Todd R. Moore	\$ 0	\$ 47,430	15.8 %

## Long-Term Incentive Compensation

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, restricted stock, stock appreciation rights, performance share awards, phantom stock awards and performance-based and other cash awards.

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.

Historically, our practice has been to make annual awards of restricted stock to Named Executive Officers and other senior management personnel with vesting based on continued employment over four years. These grants have typically been made in December of each year. The total number of shares granted under this approach is substantially less than the number that would be required under an option program designed to deliver equivalent levels of compensation. However, the ability to grant stock options is within the discretion of the Compensation Committee, and the Compensation Committee has occasionally done so. In Fiscal 2012, as in prior fiscal years, we did not rely on any compensation consultant to determine the types or amounts of long-term incentives to be granted to Named Executive officers and other senior management personnel, although, as described above (see Role of Management and Advisors ), AON Hewitt did provide a benchmarking analysis of NCI long-term incentives as part of its report to the Compensation Committee.

Pursuant to our historical practice, in December 2011, we granted time-vesting restricted stock and options to our Named Executive Officers for Fiscal 2012 in the following amounts:

	Shares of Restricted Stock Granted	Options Granted
Norman C. Chambers	78,586	

Mark E. Johnson	29,470	
Mark W. Dobbins	19,647	
Bradley D. Robeson		34,382
Todd R. Moore	15,472	3,439

In July 2012, the Compensation Committee, in consultation with our Chief Executive Officer, determined that it would be advisable and in the best interests of NCI's stockholders to change our long-term compensation program for our Named Executive Officers and other key members of the executive leadership team and to make a one-time grant of performance share units (the PSUs) with the terms described below. The purpose of the PSUs is to closely align the incentive compensation of the executive leadership team, including NEOs, for the duration of a three-year performance cycle with returns to NCI's stockholders and

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thereby further motivate the executive placing a material amount of incentive compensation of each executive at risk and by offering extraordinary reward for the attainment of extraordinary results.

The Compensation Committee awarded the following target number of PSUs to each of our Named Executive Officers on August 1, 2012:

Norman C. Chambers	270,000
Mark E. Johnson	145,000
Mark W. Dobbins	85,000
Bradley D. Robeson	85,000
Todd R. Moore	85,000

The Compensation Committee intended that the target number of PSUs for Mr. Chambers would be 275,000. However, because of the possibility that a full grant of 275,000 PSUs to Mr. Chambers in Fiscal 2012 would not be fully deductible under Section 162(m) of the Internal Revenue Code, the Compensation Committee initially awarded Mr. Chambers 270,000 target PSUs and on December 6, 2012 increased his target number of PSUs by 5,000, to 275,000 in total. These additional PSUs have the same terms as all other PSUs.

As a condition to the grant of PSUs, each of our Named Executive Officers has agreed that the PSUs are in lieu of all equity compensation to be granted between July 1, 2012 and January 1, 2015, including annual grants of restricted stock that might otherwise be made in December of 2012, 2013 and 2014, unless the Compensation Committee determines otherwise. Thus, annual equity awards are not expected to be made to the NEOs until Fiscal 2015 at the earliest.

Subject to continued employment with NCI during a three-year performance period beginning on July 1, 2012 and ending on June 30, 2015, each Named Executive Officer may earn from 0% to 300% of this target number of PSUs based on NCI's total stockholder return, or TSR, during the performance period. For this purpose, the TSR of NCI will be determined by comparing the price of NCI's Common Stock at July 1, 2012 against the average closing price of NCI's Common stock during the 20 trading days ending on June 30, 2015 (together with dividends or other distributions on the common Stock paid during that period). The opening value for TSR purposes was set by the Compensation Committee at \$10 per share, which was higher than the 20-day average as of that date. TSR will be determined on an absolute basis, i.e., without regard to the shareholder return of any company that may be considered a peer or competitor of NCI for other purposes.

PSUs will be earned in amounts that may be greater than, less than or equal to the target number of PSUs in accordance with the following chart:

NCI TSR	Percentage of Target Number of PSUs Earned
0% or less	0% of the target number of PSUs will be earned
Greater than 0% and less than or equal to 100%	A percentage of the target number of PSUs will be earned that is the same as the TSR percentage (e.g., if TSR is 50%, 50% of the target number of PSUs will be earned)
Greater than 100% and less than 200%	A percentage of the target number of PSUs will be earned equal to 100% plus 2% for each percentage of TSR above 100% (e.g., if TSR is 110.25%, 120.5% of the target number of PSUs will be earned)
200% or greater	300% of the target number of PSUs will be earned

For TSR that is not one of the precise percentages in the chart, linear interpolation of the target number of PSUs earned would be applied, subject to the 300% maximum earned at a 200% or greater TSR. Any PSUs that are not earned will be forfeited. Each earned PSU will be settled in one share of NCI Common Stock shortly after the end of the performance period. If NCI pays cash dividends on the Common Stock during the performance period, cash dividend equivalents will accrue on the PSUs, and these dividend equivalents will be earned and paid if the related PSUs are earned and will be forfeited if the related PSUs are forfeited. Shares received on settlement of PSUs are subject to an additional holding period ending on January 1, 2017, or, if earlier, on a change in control of NCI or the holder's earlier termination of

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employment by reason of a qualifying termination (described below) or retirement. This holding period will also lapse on a proportionate basis to the extent that the Investors dispose of shares held by them prior to January 1, 2017.

The effect of a termination of employment of a Named Executive Officer during the performance period depends on the reason for the termination. If a Named Executive Officer's employment terminates during the performance period in a qualifying termination, namely due to death, disability, or termination by NCI without cause or by the executive with good reason, a pro rata portion of the PSUs will be earned (determined based on the elapsed portion of the performance period, and measured against the actual number of PSUs that would have been earned if the executive had remained employed through the end of the performance period). If a Named Executive Officer's employment terminates for any other reason prior to the end of the performance period, all PSUs will be forfeited. If a change in control of NCI occurs prior to the end of the performance period, the performance period will immediately end at the time of the change in control, and a Named Executive Officer will earn a percentage of the target number of PSUs based on the TSR achieved determined by reference to the value of the Common Stock at the time of the change in control.

The Compensation Committee chose the terms of the PSUs because it believes that the terms of the awards closely align the incentive compensation of our Named Executive Officers for the duration of the three-year performance period with returns to NCI's stockholders and thereby further motivate our Named Executive Officers to create sustained value for NCI stockholders. The design features of the PSUs that the Compensation Committee believes effectuate this purpose include the following:

Because the PSUs are in lieu of other grants of equity compensation, and there is no guarantee that TSR will increase during the performance period, a material amount of incentive compensation of Named Executive Officer (1) has been placed at risk. Thus, while the PSUs present the opportunity for greater reward than NCI's historical practice of annual grants of time-vesting restricted stock, the PSUs also present a greater risk to the Named Executive Officers from performance that falls below expectations.

Because the vesting of the PSUs is based solely on absolute TSR rather than based on a comparison to the (2) total stockholder returns of a peer group, NCI must itself achieve the intended performance results regardless of how a peer group performs during the performance period.

TSR must be sustained through the end of the three-year performance period, rather than at any point during the (3) performance period, and TSR achievement during the performance period that is not sustained through the end of the performance period will not contribute to the number of earned PSUs.

The ultimate value to the Named Executive Officer of the PSUs will increase in relation to increasing TSR, and no vesting of the PSUs will occur unless the value of NCI's Common Stock is above \$10 per share at the end of the (4) three-year performance period. In addition, the PSUs are intended to further motivate the Named Executive Officers to achieve a value of the Common Stock above \$20 per share by providing a greater economic award for increases in value at and above that share price.

Except in the case of a qualifying termination, a Named Executive Officer's PSUs will be forfeited on any (5) termination of employment during the performance period.

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The following chart shows the number of shares of NCI Common Stock that would be issued based on the stated assumed level of stock price during the relevant period ending on June 15, 2015 (assuming, for this purpose, that no dividends are paid between July 1, 2012 and June 15, 2015 and therefore that NCI TSR would be based solely on an increase in share price) and is provided for illustrative purposes only.

## **Retirement Benefits**

The Named Executive Officers are eligible to participate in our tax-qualified 401(k) plan. In addition, we believe that benefit programs that address the unique circumstances of executives in light of limitations imposed on benefits payable from qualified welfare, profit-sharing and retirement plans are critical in attracting and retaining quality executives. Therefore, we have adopted a Deferred Compensation Plan that allows our Named Executive Officers and other key employees to defer a portion of their annual salary and annual cash bonus, and allows our non-employee directors to defer a portion of their annual and meeting attendance fees, subject to certain specified maximum deferral amounts. The DCP also provides discretionary matching contributions in certain circumstances. For Fiscal 2012 and similar to previous years, we determined to make discretionary matching contributions only if the Company achieved ROA of 25%, as calculated under the Bonus Program. If the target ROA was achieved, we would match the percentage of an executive officer's salary and bonus that he has voluntarily deferred under the DCP, up to a maximum of 12.5%. Because our ROA calculated under the Bonus Program was less than 25%, no discretionary matching contribution was made for Fiscal 2012. For Fiscal 2013, discretionary matching contributions will be made only if the Company achieves ROA of 25%. Amounts deferred under the DCP are deemed invested in one or more phantom investment funds and additional amounts are credited to participants' accounts based on the hypothetical earnings of such investments. In November 2009, the Compensation Committee approved the addition of NCI Common Stock as an investment option for certain of our executive officers. See Narrative to the Nonqualified Deferred Compensation Table for additional details regarding the terms of the DCP.

## **Other Compensation**

### **Termination and Change of Control Agreements**

Certain compensation arrangements of NCI include provisions providing special payments or benefits upon specified termination events or upon the occurrence of a change of control of NCI. However, these arrangements do not include gross-ups for golden parachute excise taxes or other taxes.

Mr. Chambers has an agreement with NCI which provides that if he is terminated without cause or resigns for good reason, including during a specified period of time following a change of control, he will receive certain severance payments. Messrs. Chambers and Dobbins also each have a 2004 Long-Term Restricted Stock Award agreement with NCI that vests upon the earliest of (i) retirement at or after age 65, (ii) death, (iii) disability, (iv) a termination without cause or for good reason, or (v) a change of control. In connection with the Equity Investment that was consummated on October 20, 2009, this award was amended to specify that the Equity Investment would not constitute a change of control event for vesting purposes.

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We have also entered into employment agreements with each of our Named Executive Officers. Initially, we only entered into employment agreements with executives who did not already have a change of control benefit by virtue of having received a 2004 Long-Term Restricted Stock Award or other agreement that provided benefits upon a change of control; however, on March 12, 2009, the Compensation Committee approved entering into an employment agreement with Mr. Dobbins. This agreement is substantially the same as the employment agreements entered into with our other Named Executive Officers, and provides for payment if he is terminated without cause or resigns for good reason within 24 months after a change of control of NCI. While the Compensation Committee previously believed the 2004 Long-Term Restricted Stock Awards would be sufficient compensation in the event of a change of control, given the recent declines in NCI's share price, the value of these awards was significantly reduced. Accordingly, the Compensation Committee determined it was important to provide Mr. Dobbins with a benefit similar to the other Named Executive Officers and to eliminate any potential distractions and uncertainties associated with possible transactions NCI might undertake by providing them with payments upon certain termination events following a change of control. See Executive Compensation Potential Payments Upon Termination and Change of Control.

In addition to these agreements, outstanding shares of restricted stock and options granted to the Named Executive Officers vest upon the occurrence of a change of control or in connection with certain termination events, and the PSUs would also be eligible to vest based on NCI TSR through the change in control.

We believe that these termination and change of control benefits provide our Named Executive Officers an incentive to act in the stockholders' best interests during a takeover despite the risk of losing their jobs or a significant change in the nature of their benefits and responsibilities. We also believe that, in some cases, our termination and change of control benefits are necessary to attract and retain certain executives. For a description of the terms of the employment agreements, consulting agreement and equity awards, see Executive Compensation Potential Payments Upon Termination and Change of Control.

## **Perquisites and Personal Benefits**

We offer only de minimis perquisites or personal benefits.

## **Gross-Ups**

NCI does not provide for any tax assistance or &#