

NCI BUILDING SYSTEMS INC
Form DEF 14A
January 27, 2014

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

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

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

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

NCI BUILDING SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Edgar Filing: NCI BUILDING SYSTEMS INC - Form DEF 14A

☐ 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:

TABLE OF CONTENTS

January 27, 2014

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of NCI Building Systems, Inc. to be held at 10:00 a.m. CST on Tuesday, February 25, 2014, 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 III directors named in the accompanying proxy statement to serve until the (1) 2017 Annual Meeting of Stockholders or until their respective successors have been elected and shall have qualified;
- (2) Proposal 2: Approve the Senior Executive Bonus Plan;
- (3) Proposal 3: Provide an advisory vote on executive compensation;
- (4) Proposal 4: Provide an advisory vote on the frequency of the advisory vote on executive compensation;
- (5) Proposal 5: Ratify the appointment of Ernst & Young LLP as NCI Building Systems, Inc.'s independent registered public accounting firm for fiscal 2014; and
- (6) 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*

TABLE OF CONTENTS

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

**NOTICE OF
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD FEBRUARY 25, 2014**

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 25, 2014, at 10:00 a.m. CST. The Annual Meeting of Stockholders will be held for the following purposes:

- Proposal 1: The election of the three (3) Class III directors named in the accompanying proxy statement to serve
1. until the 2017 Annual Meeting of Stockholders or until their respective successors have been elected and shall have qualified;
 2. Proposal 2: Approval of the Senior Executive Bonus Plan;
 3. Proposal 3: Provide an advisory vote on executive compensation;
 4. Proposal 4: Provide an advisory vote on the frequency of the advisory vote on executive compensation;
 5. Proposal 5: Ratification of the appointment of Ernst & Young LLP as NCI Building Systems, Inc.'s independent registered public accounting firm for fiscal 2014; and
 6. 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 14, 2014 are entitled to notice of, and to vote at, the meeting or any reconvened meeting following any adjournment or postponement thereof.

We are first sending this proxy statement and the enclosed proxy form to stockholders on or about January 27, 2014.

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 27, 2014

**Important Notice Regarding the Availability of
Proxy Materials for the Stockholder Meeting To Be Held February 25, 2014**

The Notice of Annual Meeting of Stockholders, our Proxy Statement, and Annual Report
to Stockholders are available at www.edocumentview.com/NCS.

TABLE OF CONTENTS

**PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
To Be Held February 25, 2014**

TABLE OF CONTENTS

<u>PROXY STATEMENT</u>	<u>1</u>
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	<u>6</u>
<u>PROPOSAL 2: APPROVAL OF THE SENIOR EXECUTIVE BONUS PLAN</u>	<u>10</u>
<u>PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	<u>14</u>
<u>PROPOSAL 4: ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</u>	<u>16</u>
<u>PROPOSAL 5: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>17</u>
<u>MANAGEMENT</u>	<u>18</u>
<u>COMPENSATION DISCUSSION & ANALYSIS</u>	<u>21</u>
<u>EXECUTIVE COMPENSATION</u>	<u>32</u>
<u>BOARD OF DIRECTORS</u>	<u>46</u>
<u>CORPORATE GOVERNANCE</u>	<u>51</u>
<u>LEADERSHIP STRUCTURE OF THE BOARD</u>	<u>53</u>
<u>COMMUNICATIONS WITH OUR BOARD</u>	<u>54</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>55</u>
<u>LEGAL PROCEEDINGS</u>	<u>55</u>
<u>TRANSACTIONS WITH RELATED PERSONS</u>	<u>55</u>
<u>AUDIT COMMITTEE AND AUDITORS</u>	<u>58</u>
<u>STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS</u>	<u>59</u>
<u>ANNUAL REPORT</u>	<u>59</u>
<u>STOCKHOLDERS SHARING THE SAME LAST NAME AND ADDRESS</u>	<u>60</u>
<u>MISCELLANEOUS</u>	<u>60</u>
<u>Annex A: NCI Building Systems, Inc. Senior Executive Bonus Plan</u>	<u>A-1</u>

TABLE OF CONTENTS

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 25, 2014**

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 25, 2014 at 10:00 a.m. CST. By granting a proxy, you authorize the persons named in the proxy to represent you and vote your shares at the Annual Meeting. Those persons will also be authorized to vote your shares to adjourn the Annual Meeting from time to time and to vote your shares at any adjournments or postponements of the Annual Meeting. Stockholders have a choice of voting over the Internet, at www.investorvote.com/NCS, by telephone using the number 1-800-652-8683, or using a traditional proxy card. The deadline for voting by telephone or electronically is 12:00 a.m. Eastern Time, on February 25, 2014.

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 27, 2014.

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 approval of NCI's Senior Executive Bonus Plan;

FOR Proposal 3, in favor of our executive compensation philosophy;

FOR the **THREE-YEAR** frequency option in Proposal 4; and

FOR Proposal 5, the ratification of Ernst & Young LLP as NCI's independent registered public accountants for the year scheduled to end on November 2, 2014 (Fiscal 2014); 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.

TABLE OF CONTENTS

SOLICITATION OF PROXIES

Our Board is soliciting proxies from the holders of record of our Common Stock at the close of business on January 14, 2014. 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 14, 2014. At the close of business on that date we had 74,738,310 shares of Common Stock issued and outstanding and entitled to be voted at the Annual Meeting. On January 15, 2014, we completed the repurchase of 1,150,000 shares of Common Stock from Clayton, Dubilier & Rice Fund VIII, L.P. and CD&R Friends & Family Fund VIII, L.P. (collectively, the Investors) in a privately negotiated, non-underwritten transaction pursuant to a Stock Repurchase Agreement dated January 6, 2014 (the Stock Repurchase). The Stock Repurchase was approved and recommended by the Affiliate Transactions Committee of our Board of Directors. The shares of Common Stock purchased in the Stock Repurchase were subsequently cancelled. After giving effect to the Stock Repurchase and the cancellation of the repurchased shares, on January 15, 2014, we had outstanding 73,588,310 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, 2014 (the Ownership Date), after giving effect to the closing on January 15, 2014 of (i) the sale by the Investors of 9,775,000 shares of Common Stock owned by them in a registered underwritten offering (the Secondary Offering) and (ii) the Stock Repurchase, the number of shares of our equity securities beneficially owned by (1) each person or group known by us to own beneficially more than 5% of the outstanding shares of any class of our equity securities, (2) each director and nominee for director, (3) each of our executive officers identified under the caption Executive Compensation, and (4) all current directors and executive officers as a group. Except as otherwise indicated, each of the persons or groups named below has sole voting power and investment power with respect to the Common Stock. Unless otherwise noted, the mailing address of each person or entity named below is 10943 North Sam Houston Parkway West, Houston, Texas 77064.

TABLE OF CONTENTS

Name of Beneficial Owner or Group	Beneficial Ownership ⁽¹⁾	
	Number of Shares	Percent
	Common Stock	
Clayton Dubilier & Rice Fund VIII, L.P. ⁽²⁾	43,103,910	58.6
CD&R Friends & Family Fund VIII, L.P. ⁽²⁾	107,907	*
Norman C. Chambers ⁽³⁾	1,059,132	1.4
Kathleen J. Affeldt ⁽³⁾	30,269	*
James G. Berges ⁽³⁾⁽⁴⁾		*
Gary L. Forbes ⁽³⁾	47,512	*
John J. Holland ⁽³⁾	18,333	*
Lawrence J. Kremer ⁽³⁾	18,026	*
George Martinez ⁽³⁾	36,052	*
Nathan K. Sleeper ⁽³⁾⁽⁴⁾		*
Jonathan L. Zrebiec ⁽³⁾⁽⁴⁾		*
Mark W. Dobbins ⁽³⁾	397,761	*
Mark E. Johnson ⁽³⁾	480,870	*
Todd R. Moore ⁽³⁾	193,627	*
Bradley D. Robeson ⁽³⁾	244,070	*
All directors and executive officers as a group (21 persons) ⁽⁵⁾	2,961,273	4.02

*

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 but does not include any of the performance share units granted to the listed persons on August 1, 2012 and December 6, 2012 (see Compensation Discussion & Analysis Elements of Executive Compensation Long-Term Incentive Compensation). If a person has the right to
- (1) acquire beneficial ownership of any shares by exercise of options previously granted within 60 days after the Ownership Date, those shares are deemed beneficially owned by that person as of the Ownership Date and are deemed to be outstanding solely for the purpose of determining the percentage of the Common Stock that he or she owns. Those shares are not included in the computations for any other person. Please see the table accompanying footnote 4 below for additional information regarding equity compensation awards held by the listed persons. 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 56,307 restricted shares of Common Stock
- (2) issued to Clayton, Dubilier & Rice, LLC (CD&R, LLC), as assignee of director compensation payable to Messrs. James G. Berges, Nathan K. Sleeper and Jonathan L. Zrebiec.

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

CD&R Investment Associates VIII, Ltd. is managed by a two-person board of directors, Donald J. Gogel and Kevin J. Conway, as the directors of CD&R Investment Associates VIII, Ltd., may be deemed to share beneficial ownership of the shares of Common Stock shown as beneficially owned by the Investors. Such persons expressly disclaim such beneficial ownership. Investment and voting decisions with respect to shares held by each of the Investors are made by an investment committee of limited partners of CD&R Associates VIII, L.P., currently consisting of more than ten individuals (the Investment Committee). 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 the restricted shares held by CD&R,

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

TABLE OF CONTENTS

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, Ugland 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, 18th Floor, New York, NY 10152.

(3) The number of shares of Common Stock beneficially owned by each person includes options exercisable on the Ownership Date but excludes options not exercisable within 60 days after the Ownership Date. No currently unexercisable options would become exercisable within 60 days after the Ownership Date. The number of shares of Common Stock beneficially owned by each person also includes unvested shares of restricted stock. Each owner of shares of issued 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	664,137	8,334	64,697
Kathleen J. Affeldt	13,394	8,394	6,525
James G. Berges ⁽⁴⁾			
Gary L. Forbes			10,722
John J. Holland	6,697	7,569	6,938
Lawrence J. Kremer	3,873	5,361	8,043
George Martinez	568		10,722
Nathan K. Sleeper ⁽⁴⁾			
Jonathan L. Zrebiec ⁽⁴⁾			