

NV5 Global, Inc.
Form DEF 14A
April 11, 2019

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

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

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 Rule14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule §240.14a-12

NV5 GLOBAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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 it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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:

NV5 Global, Inc.
200 South Park Road, Suite 350
Hollywood, Florida 33021
Telephone: (954) 495-2112

April 11, 2019

Dear Stockholder:

You are cordially invited to attend this year's annual meeting of stockholders of NV5 Global, Inc., a Delaware corporation, on Saturday, June 8, 2019 at 9:00 a.m., local time. The meeting will be held at the Red Rock Casino Resort & Spa located at 11011 W Charleston Blvd., Las Vegas, Nevada 89135.

We are pleased to take advantage of the U.S. Securities and Exchange Commission rule that allows companies to furnish proxy materials primarily over the Internet. We believe that it will expedite stockholders' receipt of proxy materials, lower costs and reduce the environmental impact of distributing proxy materials for our annual meeting. As of April 11, 2019, we have commenced mailing to our stockholders (other than those who previously requested electronic or paper delivery) a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our proxy materials, including our 2019 Proxy Statement and Annual Report to Stockholders for the fiscal year ended December 29, 2018 (the "2018 Annual Report"), over the Internet. The Notice also includes instructions on how you can receive a paper copy of the proxy materials by mail. If you receive your annual meeting materials by mail, the Notice of 2019 Annual Meeting of Stockholders, 2019 Proxy Statement, 2018 Annual Report and proxy card will be enclosed. If you receive your proxy materials via e-mail, the e-mail will contain voting instructions and links to the 2018 Annual Report and 2019 Proxy Statement on the Internet, both of which are available at <http://www.edocumentview.com/NVEE>.

The matters to be acted upon are described in the Notice of 2019 Annual Meeting of Stockholders and 2019 Proxy Statement. Following the formal business of the meeting, we will report on our operations and respond to questions from stockholders.

Whether or not you plan to attend this year's annual meeting, your vote is very important and we encourage you to vote promptly. After reading the 2019 Proxy Statement, please promptly mark, sign and date the enclosed proxy card and return it by following the instructions on the proxy card or voting instruction card or vote by telephone or by Internet. If you attend the annual meeting, you will, have the right to revoke the proxy and vote your shares in person. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from your brokerage firm, bank or other nominee to vote your shares.

We look forward to seeing you at the annual meeting.

Sincerely,

/s/ Dickerson Wright

Dickerson Wright
Chairman and Chief Executive Officer

NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS

- Time and Date:** 9:00 a.m., local time, on Saturday, June 8, 2019.
- Place:** The Red Rock Casino Resort & Spa located at 11011 W Charleston Blvd., Las Vegas, Nevada 89135.
- Items of Business:**
- (1) To elect seven Directors to hold office until the next annual meeting and until their respective successors are elected and qualified.
 - (2) To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 28, 2019.
 - (3) To conduct a non-binding advisory vote to approve the compensation paid to the Company's named executive officers (the "Say on Pay Proposal").
 - (4) To conduct a non-binding advisory vote to determine the frequency of the non-binding advisory vote on executive compensation (the "Say on Pay Frequency Proposal").
 - (5) To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.
- Adjournments and Postponements:** Any action on the items of business described above may be considered at the 2019 Annual meeting of stockholders (the "2019 Annual Meeting") at the time and on the date specified above or at any time and date to which the 2019 Annual Meeting may be properly adjourned or postponed.
- Record Date:** You are entitled to vote at the 2019 Annual Meeting and any adjournments or postponements thereof if you were a stockholder at the close of business on Wednesday, April 10, 2019 (the "Record Date").
- Meeting Admission:** You are entitled to attend the 2019 Annual Meeting only if you were a stockholder of NV5 Global, Inc. as of the close of business on the Record Date or hold a valid proxy to vote at the 2019 Annual Meeting. You should be prepared to present photo identification for admittance.
- Voting:** **Your vote is very important. Whether or not you plan to attend the 2019 Annual Meeting, we encourage you to read the 2019 Proxy Statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions on the enclosed proxy card.**
- List of Stockholders:**

For ten days prior to the 2019 Annual Meeting, a complete list of stockholders entitled to vote at such meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices located at 200 South Park Road, Suite 350, Hollywood, Florida 33021.

**Recommendation of
the**

The Board of Directors of NV5 Global, Inc. recommends a vote “FOR” Proposals 1, 2, and 3 and a vote for every “Two Years” for Proposal 4.

Board of Directors:

By order of the Board of Directors,

/s/ MaryJo O'Brien

MaryJo O'Brien
Corporate Secretary

April 11, 2019

IMPORTANT: Please mark, date and sign the enclosed proxy card and promptly return it in the accompanying postage-paid envelope or vote by telephone or by Internet to assure that your shares are represented at the meeting. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON SATURDAY, JUNE 8, 2019: Our 2019 Proxy Statement is enclosed. Financial and other information concerning NV5 Global, Inc. is contained in our Annual Report to Stockholders for the fiscal year ended December 29, 2018 (“2018 Annual Report”). A complete set of proxy materials relating to our 2019 Annual Meeting, consisting of the Notice of 2019 Annual Meeting of Stockholders, 2019 Proxy Statement, proxy card and 2018 Annual Report, is available on the Internet and may be viewed at <http://www.edocumentview.com/NVEE>.

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**200 South Park Road, Suite 350
Hollywood, Florida 33021**

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE 2019 Annual MEETING

Proxy Materials

Why am I receiving these materials?

The Board of Directors (the “Board”) of NV5 Global, Inc. (the “Company” or “NV5”) has made these proxy materials available to you on the Internet, or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the solicitation of proxies for use at the Company’s 2019 Annual meeting of stockholders (the “2019 Annual Meeting”), which will take place on Saturday, June 8, 2019 at 9:00 a.m., local time, at the Red Rock Casino Resort & Spa located at 11011 W Charleston Blvd., Las Vegas, Nevada 89135. As a stockholder, you are invited to attend the 2019 Annual Meeting and are requested to vote on the proposals described in this 2019 Proxy Statement (the “2019 Proxy Statement”). This 2019 Proxy Statement includes information that we are required to provide to you under Securities and Exchange Commission (“SEC”) rules and is designed to assist you in voting your shares.

What is included in these materials?

The proxy materials include:

our 2019 Proxy Statement for the 2019 Annual Meeting;

our annual report to stockholders, which includes our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 (the “2018 Annual Report”); and

the proxy card or a voting instruction card for the 2019 Annual Meeting.

Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the proxy materials?

In accordance with rules adopted by the SEC, we may furnish proxy materials, including this 2019 Proxy Statement and our 2018 Annual Report, to our stockholders by providing access to such documents over the Internet instead of mailing printed copies. Most stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice of Internet Availability of Proxy Materials (“Notice of Internet Availability”), which was mailed to most of our stockholders, will instruct you as to how you may access and review all of the proxy materials on the Internet. If you would like to receive a paper copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice of Internet Availability.

How can I access the proxy materials over the Internet?

The Notice of Internet Availability, proxy card or voting instructions card will contain instructions on how to:

access and view our proxy materials for the 2019 Annual Meeting over the Internet; and

how to vote your shares.

If you choose to receive our future proxy materials electronically, it will save us the cost of printing and mailing documents to you and will reduce the impact of printing and mailing these materials on the environment. If you choose to receive future proxy materials electronically, you will receive an e-mail next year with instructions containing a link to the website where those materials are available. Your election to receive proxy materials electronically will remain in effect until you terminate it.

How may I obtain a paper copy of the proxy materials?

Stockholders receiving a Notice of Internet Availability will find instructions in that notice about how to obtain a paper copy of the proxy materials. Stockholders receiving a Notice of Internet Availability by e-mail will find instructions in that e-mail about how to obtain a paper copy of the proxy materials. Stockholders who have previously submitted a standing request to receive paper copies of our proxy materials will receive a paper copy of the proxy materials by mail.

What shares are included on the proxy card?

If you are a stockholder of record, you will receive only one proxy card for all the shares you hold of record in certificate form and in book-entry form.

If you are a beneficial owner, you will receive voting instructions from your broker, bank or other holder of record.

What is “householding” and how does it affect me?

We have adopted a procedure approved by the SEC called “householding.” Under this procedure, stockholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of the Notice of 2019 Annual Meeting of Stockholders, 2019 Proxy Statement and 2018 Annual Report, unless we are notified that one or more of these stockholders wishes to continue receiving individual copies. This procedure will reduce our printing costs and postage fees.

Stockholders who participate in householding will continue to receive separate proxy cards.

If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of the Notice of 2019 Annual Meeting of Stockholders, 2019 Proxy Statement and 2018 Annual Report, or if you hold stock of the Company in more than one account, and in either case you wish to receive only a single copy of each of these documents for your household, please contact the Corporate Secretary of the Company by sending a written request to NV5 Global, Inc., Corporate Secretary, 200 South Park Road, Suite 350, Hollywood, Florida 33021, or by calling (954) 495-2112.

If you participate in householding and wish to receive, free of charge, a separate copy of the Notice of 2019 Annual Meeting of Stockholders, 2019 Proxy Statement and 2018 Annual Report, or if you do not wish to continue to participate in householding and prefer to receive separate copies of these documents in the future, please contact the Corporate Secretary of the Company, as set forth above.

If you are a beneficial owner, you can request information about householding from your broker, bank or other holder of record.

Voting Information

What items of business will be voted on at the 2019 Annual Meeting?

The items of business scheduled to be voted on at the 2019 Annual Meeting are:

1. To elect seven Directors to hold office until the next annual meeting and until their respective successors are elected and qualified.
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 28, 2019.
3. To conduct a non-binding advisory vote to approve the compensation paid to the Company's named executive officers (the "Say on Pay Proposal").
4. To conduct a non-binding advisory vote to determine the frequency of the non-binding advisory vote on executive compensation (the "Say on Pay Frequency Proposal").
5. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

We will also consider any other business that properly comes before the 2019 Annual Meeting.

How does the Board recommend that I vote?

The Board unanimously recommends that you vote your shares:

“FOR” the election of each of the nominees for Director listed in Proposal No. 1.

“FOR” the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 28, 2019.

“FOR” the non-binding advisory vote to approve the compensation of our named executive officers.

“FOR” every “Two Years” for the Say on Pay Frequency Proposal.

Who is entitled to vote at the 2019 Annual Meeting?

Only stockholders of record at the close of business on Wednesday, April 10, 2019 (the “Record Date”) will be entitled to vote at the 2019 Annual Meeting. As of the Record Date, 12,565,115 shares of the Company’s common stock were outstanding and entitled to vote. Each share of our common stock outstanding on the Record Date is entitled to one vote on each of the seven Director nominees and one vote on each other matter.

Is there a list of stockholders entitled to vote at the Annual Meeting?

The names of stockholders of record entitled to vote at the 2019 Annual Meeting will be available at the 2019 Annual Meeting. We will also make a list of these stockholders available for ten days prior to the 2019 Annual Meeting between the hours of 9:00 a.m. and 4:30 p.m., local time, at our principal executive offices at 200 South Park Road, Suite 350, Hollywood, Florida 33021. If you would like to examine the list for any purpose germane to the 2019 Annual Meeting prior to the meeting date, please contact our Corporate Secretary.

How can I vote if I own shares directly?

Most stockholders do not own shares registered directly in their name, but rather are “beneficial holders” of shares held in a stock brokerage account or by a bank or other nominee (that is, shares held “in street name”). Those stockholders should refer to “How can I vote if my shares are held in a stock brokerage account, or by a bank or other nominee?” below for instructions regarding how to vote their shares.

If, however, your shares are registered directly in your name with our transfer agent, Computershare, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent directly to you. You may vote in the following ways:

By Mail: Votes may be cast by mail, as long as the proxy card or voting instruction card is delivered in accordance with its instructions prior to 4:00 p.m., Eastern Time, on Friday, June 9, 2019. Stockholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies by completing, signing and dating their proxy card or voting instruction card and mailing it in the accompanying pre-addressed envelope.

In Person: Attend the 2019 Annual Meeting and vote your shares in person.

By Phone or Internet: Stockholders may vote by phone or Internet by following the instructions included in the proxy card they received.

Whichever method you select to transmit your instructions, the proxy holders will vote your shares in accordance with those instructions.

If you vote by mail without giving specific voting instructions, your shares will be voted:

“FOR” Proposal No. 1 – Election of the seven Director nominees named herein to the Board of Directors.

“FOR” Proposal No. 2 – Ratification of the appointment of our independent registered public accounting firm.

“FOR” Proposal No. 3 – The non-binding advisory vote to approve the compensation of our named executive officers.

“FOR” every “Two Years” for Proposal No. 4 – The Say on Pay Frequency Proposal.

If no specific instructions are given, the shares will be voted in accordance with the recommendation of our Board and as the proxy holders may determine in their discretion with respect to any other matters that properly come before the meeting.

How can I vote if my shares are held in a stock brokerage account, or by a bank or other nominee?

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the “beneficial owner” of shares held in “street name,” and your broker or nominee is considered the “stockholder of record” with respect to those shares. Your broker or nominee should be forwarding these proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote, and you are also invited to attend the 2019 Annual Meeting unless you obtain a legal proxy from your brokerage firm or bank. However, since you are not the stockholder of record, you may not vote these shares in person at the 2019 Annual Meeting. If a broker, bank or other nominee holds your shares, you will receive instructions from them that you must follow in order to have your shares voted.

What is a quorum for the Annual Meeting?

The presence of the holders of stock representing a majority of the voting power of all shares of stock issued and outstanding as of the Record Date, represented in person or by proxy, is necessary to constitute a quorum for the transaction of business at the 2019 Annual Meeting. Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker) or if you vote in person at the 2019 Annual

Meeting. Abstentions and broker non-votes will be counted as present for purposes of determining a quorum.

What is the voting requirement to approve each of the proposals?

Proposal	Vote Required	Broker Discretionary Voting
		Allowed
No. 1 - Election of Directors	Director nominees receiving the highest number of "FOR" votes	No
No. 2 - Ratification of Appointment of Deloitte & Touche LLP	Majority vote of shares present and entitled to vote in person or by proxy	Yes
No.3 - Say on Pay Proposal	Majority vote of shares present and entitled to vote in person or by proxy	No
No. 4 – Say on Pay Frequency Proposal	Plurality of votes cast	No

For the election of Directors, the seven Director nominees who receive the highest number of “FOR” votes will be elected as Directors. You may vote “FOR” or “WITHHOLD” with respect to each Director nominee. Votes that are withheld will be excluded entirely from the vote with respect to the nominee from which they are withheld and will have the same effect as an abstention. The ratification of the appointment Deloitte & Touche LLP requires the affirmative vote of a majority of the shares present and entitled to vote either in person or by proxy. The Say on Pay Proposal will be approved if the votes cast “For” the proposal exceed the votes cast “Against” the proposal. While this advisory vote on executive compensation is non-binding, the Board of Directors and the Compensation and Nominating Committee will review the voting results and seek to determine the cause or causes of any significant negative voting result. Abstentions and broker non-votes will not be counted as votes cast and accordingly, will not have an effect on this Proposal No. 3. The Say on Pay Frequency Proposal will be approved by a plurality of the votes cast for one of the choices presented. For purposes of the vote on this resolution, broker non-votes and other shares not voted will not be counted as votes cast and will have no effect on the result of the vote, although all shares for which proxies have been given will be considered present for the purpose of determining the presence of a quorum.

What is the effect of abstentions and broker non-votes?

Shares not present at the meeting and shares voted “WITHHOLD” will have no effect on the election of Directors. For the ratification of the appointment of Deloitte & Touche LLP, abstentions will have the same effect as an “AGAINST” vote. Abstentions and broker non-votes will not be counted as votes cast and accordingly, will not have an effect on the Say on Pay Proposal. For purposes of the vote on the Say on Pay Frequency Proposal, broker non-votes and other shares not voted will not be counted as votes cast and will have no effect on the result of the vote, although all shares for which proxies have been given will be considered present for the purpose of determining the presence of a quorum. If you are a beneficial owner and hold your shares in “street name” in an account at a bank or brokerage firm, it is critical that you cast your vote if you want it to count in the election of Directors. Under the rules governing banks and brokers who submit a proxy card with respect to shares held in “street name,” such banks and brokers have the discretion to vote on routine matters, but not on non-routine matters. Routine matters include the ratification of auditors. Non-routine matters include the election of Directors. Banks and brokers may not vote on the election of Directors proposal if you do not provide specific voting instructions. Accordingly, we encourage you to vote promptly, even if you plan to attend the 2019 Annual Meeting. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

Can I change my vote or revoke my proxy?

Subject to any rules and deadlines your broker, trustee or nominee may have, you may change your proxy instructions at any time before your proxy is voted at the 2019 Annual Meeting. If you are a stockholder of record, you may change your vote by (1) delivering to the Company’s Corporate Secretary, prior to your shares being voted at the 2019 Annual Meeting, a written notice of revocation dated later than the prior proxy card relating to the same shares, (2) delivering a valid, later-dated proxy in a timely manner, (3) attending the 2019 Annual Meeting and voting in person (although attendance at the 2019 Annual Meeting will not, by itself, revoke a proxy), or (4) voting again via phone or Internet at a later date.

If you are a beneficial owner of shares held in street name, you may change your vote (1) by submitting new voting instructions to your broker, trustee or other nominee, or (2) if you have obtained a legal proxy from the broker, trustee or other nominee that holds your shares giving you the right to vote the shares, by attending the 2019 Annual Meeting and voting in person.

Any written notice of revocation or subsequent proxy card must be received by the Company's Corporate Secretary prior to the taking of the vote at the 2019 Annual Meeting.

Is my vote confidential?

Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide on their proxy card written comments, which are then forwarded to the Company's Corporate Secretary.

Who will count the votes?

Our Corporate Secretary and Chief Financial Officer will tabulate the votes and act as inspectors of election.

Where can I find the voting results of the 2019 Annual Meeting?

We intend to announce preliminary voting results at the 2019 Annual Meeting and publish final results in a Current Report on Form 8-K report to be filed with the SEC within four business days of the 2019 Annual Meeting.

Attending the 2019 Annual Meeting

How can I attend the 2019 Annual Meeting?

You are entitled to attend the 2019 Annual Meeting only if you were a stockholder of the Company as of the Record Date. You should be prepared to present photo identification for admittance. If you are not a stockholder of record but hold shares as a beneficial owner in street name, you must also provide proof of beneficial ownership as of the Record Date, such as your most recent account statement prior to the Record Date, a copy of the voting instruction card provided by your broker, bank, trustee or nominee, or other similar evidence of ownership.

If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the 2019 Annual Meeting. For security reasons, you and your bags may be subject to search prior to your admittance to the meeting.

What happens if additional matters are presented at the 2019 Annual Meeting?

If any other matters are properly presented for consideration at the 2019 Annual Meeting, including, among other things, consideration of a motion to adjourn the 2019 Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. The Company does not currently anticipate that any other matters will be raised at the 2019 Annual Meeting.

Who will bear the cost of soliciting votes for the 2019 Annual Meeting?

The Company will bear the cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you access the proxy materials over the Internet, you are responsible for Internet access charges you may incur. In addition, we will request banks, brokers and other intermediaries holding shares of our common stock beneficially owned by others to obtain proxies from the beneficial owners and will reimburse them for their reasonable expenses in so doing. Solicitation of proxies by mail may be supplemented by telephone, by electronic communications and personal solicitation by our officers, Directors and employees. No additional compensation will be paid to our officers, Directors or employees for such solicitation.

CORPORATE GOVERNANCE

Governance Information

Corporate Governance Philosophy

The business affairs of the Company are managed under the direction of our Chief Executive Officer and the oversight of our Board in accordance with the Delaware General Corporation Law, as implemented by the Company's Amended and Restated Certificate of Incorporation and Bylaws. The fundamental role of the Board is to effectively govern the affairs of the Company in the best interests of the Company and our stockholders. The Board strives to ensure the success and continuity of our business through the selection of qualified management. It is also responsible for ensuring that the Company's activities are conducted in a responsible and ethical manner. The Company is committed to having sound corporate governance principles.

Director Qualification Standards and Review of Director Nominees

The Nominating and Governance Committee (the "Governance Committee") makes recommendations to the Board regarding the size and composition of the Board. The Governance Committee is responsible for screening and reviewing potential Director candidates and recommending qualified candidates to the Board for nomination. The Governance Committee considers recommendations of potential candidates from current Directors, management and stockholders. Stockholders' nominees for Directors must be made in writing and include the nominee's written consent to the nomination and sufficient background information on the candidate to enable the Governance Committee to assess his or her qualifications. Nominations from stockholders must be addressed and received in accordance with the instructions set forth under "Stockholder Proposals or Nominations to be Presented at Next Annual Meeting" later in this 2019 Proxy Statement in order to be included in the proxy statement relating to the next annual election of Directors.

Criteria for Board of Directors Membership

The Governance Committee is responsible for reviewing with the Board, from time to time, the appropriate skills and characteristics required of Board members in the context of the current size and composition of the Board. This assessment includes issues of diversity and numerous other factors, such as skills, background, experience and expected contributions in areas that are relevant to the Company's activities. These factors, and any other qualifications considered useful by the Governance Committee, are reviewed in the context of an assessment of the perceived needs of the Board as a whole when the Governance Committee recommends candidates to the Board for nomination. As a

result, the priorities and emphasis that the Governance Committee, and the Board, places on various selection criteria may change from time to time to take into account changes in business and other trends, and the portfolio of skills and experience of current and prospective members of the Board. Therefore, while focused on the achievement and the ability of potential candidates to make a positive contribution with respect to such factors, the Governance Committee has not established any specific minimum criteria or qualifications that a nominee must possess. In addition, the Governance Committee and the Board are committed to considering candidates for the Board regardless of gender, ethnicity and national origin. While the Company does not have a specific policy regarding diversity, when considering the nomination of Directors, the Governance Committee does consider the diversity of its Directors and nominees in terms of knowledge, experience, background, skills, expertise and other demographic factors. We believe that the considerations and the flexibility of our nomination process have created Board diversity of a type that is effective for our Company.

Director Independence

The Board has determined that, other than Mr. Dickerson Wright, our Chairman and Chief Executive Officer, Mr. Alexander A. Hockman, our Chief Operating Officer, President and a Director, and Ms. MaryJo O'Brien, our Executive Vice President, Chief Administrative Officer and a Director, each of the members of the Board is an "independent director" for purposes of the NASDAQ Stock Market ("NASDAQ") Listing Rules and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as the term applies to membership on the Board and the various committees of the Board. NASDAQ's independence definition includes a series of objective tests, such as that the Director has not been an employee of the company within the past three years and has not engaged in various types of business dealings with the Company. In addition, as further required by NASDAQ Listing Rules, our Board has made an affirmative subjective determination as to each independent Director that no relationships exist which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. In making these determinations, the Board reviewed and discussed information provided by the Directors and us with regard to each Director's business and personal activities as they may relate to the Company and the Company's management. On an annual basis, each Director and executive officer is obligated to complete a Director and Officer Questionnaire that requires disclosure of any transactions with the Company in which the Director or executive officer, or any member of his or her family, have a direct or indirect material interest.

Based upon all of the elements of independence set forth in the NASDAQ Listing Rules, the Board has determined that each of the following non-employee Directors is independent and has no relationship with the Company, except as a Director and stockholder of the Company: Messrs. Jeffrey A. Liss, William D. Pruitt, Gerald J. Salontai and François Tardan. Mr. Liss will retire from the Board at the 2019 Annual Meeting. The Board has determined that Ms. Laurie Conner, candidate for election as a Director, will qualify as a non-employee “independent director” for purposes of the NASDAQ Listing Rules and Rule 10A-3(b)(1) under the Exchange Act with no relationship with the Company, except as a Director and stockholder of the Company, following her election at the 2019 Annual Meeting.

Board of Directors Leadership Structure

The Board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management. The Board understands that there is no single, generally accepted approach to providing Board leadership, and that given the dynamic and competitive environment in which we operate, the right Board leadership structure may vary as circumstances warrant. Our Corporate Governance Guidelines currently provide that the Board may choose to appoint a single person to a combined Chief Executive Officer and Chairman role or appoint a Chairman who does not also serve as Chief Executive Officer. Currently, our Chief Executive Officer also serves as Chairman and, as discussed below, our independent Directors also elect a Lead Independent Director. The Board believes this leadership structure is optimal for the Company at the current time, as it provides the Company with a Chief Executive Officer and Chairman with a long history of service in a variety of positions and who is, therefore, deeply familiar with the history and operations of the Company. The Board also believes that the current leadership structure provides independent oversight and management accountability through regular executive sessions of the independent Directors that are mandated by our Corporate Governance Guidelines and which are chaired by the Lead Independent Director, as well as through a Board composed of a majority of independent Directors.

Lead Independent Director

Mr. Jeffrey A. Liss was elected by our independent Directors to serve as the Lead Independent Director, and he has served in such capacity since March 26, 2013, the effective date of our Registration Statement on Form S-1 filed in connection with our initial public offering. The Lead Independent Director is responsible for, among other things, presiding over periodic meetings of our independent Directors and overseeing the function of our Board and committees of the Board. Mr. Liss will retire from the Board at the 2019 Annual Meeting and our independent directors have appointed Mr. Gerald Salontai to serve as the Lead Independent Director following Mr. Liss’ retirement.

Executive Sessions

Our independent Directors meet periodically in executive session, without the presence of management, including the Chief Executive Officer, who is one of our three current Directors who are not independent. Generally, executive sessions are scheduled as a part of all regular Board meetings, and, in any event, such sessions are held not less than twice during each calendar year. Executive sessions are chaired by our Lead Independent Director. The Chairman of each executive session will report to the Chief Executive Officer, as appropriate, regarding relevant matters discussed in the executive session.

Board of Director's Role in Risk Oversight

One of the key functions of our Board is informed oversight of our risk management process. Our Board does not have a standing risk management committee, but rather administers this oversight function directly through the Board as a whole, as well as through various standing committees of the Board that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure, and our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The Audit Committee also has the responsibility to issue guidelines and policies to govern the process by which risk assessment and management is undertaken, monitor compliance with legal and regulatory requirements, and oversee the performance of our internal audit function as well as cyber-security measures to address risks to our information technology systems, networks and infrastructure from deliberate attacks or unintentional events that could interrupt or interfere with their functionality or the confidentiality of our information. Mr. Jeffrey A. Liss was appointed by the Audit Committee of the Board as the Audit Committee member with primary risk oversight responsibility for cybersecurity issues. Mr. Liss will retire from the Board at the 2019 Annual Meeting and our Audit Committee has appointed Mr. William Pruitt as the Audit Committee member with primary risk oversight responsibility for cybersecurity issues following Mr. Liss' retirement. Our Governance Committee monitors the effectiveness of our Corporate Governance Guidelines, including whether they are successful in preventing illegal or improper liability creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs have the potential to encourage excessive risk-taking.

Board of Director's Role in Succession Planning

As provided in our Corporate Governance Guidelines, the Board is responsible for planning for the succession of the position of Chief Executive Officer and other senior management positions. To assist the Board, the Chief Executive Officer shall report periodically to the Board on succession planning. The independent Directors shall consult with the Chief Executive Officer to (1) develop plans for interim succession of the Chief Executive Officer in the event that such officer should become unable to perform his or her duties and (2) assess the qualification of senior officers as potential successors to the Chief Executive Officer.

Stockholder Communications with Directors

Stockholders who wish to communicate with the Board or an individual Director may do so by sending written correspondence by mail, facsimile or email to: the Board or individual Director, c/o the Corporate Secretary of the Company at 200 South Park Road, Suite 350, Hollywood, FL 33021; Fax: (954) 495-2102; Email Address: MaryJo.OBrien@nv5.com. The mailing envelope, facsimile cover letter or email must contain a clear notation indicating that the enclosed correspondence is a "Stockholder Board Communication." The Corporate Secretary has been authorized to screen such communications and handle differently any such communications that are abusive, in bad taste or that present safety or security concerns. All such communications must identify the author as a

stockholder and clearly state whether the intended recipients are all or individual members of the Board. The Corporate Secretary will maintain a log of such communications and make copies of all such communications and circulate them to the full Board or the appropriate Directors.

Indemnification of Directors and Officers

As required by our Amended and Restated Certificate of Incorporation and Bylaws, we indemnify our Directors and officers to the fullest extent permitted by law so that they will be free from undue concern about personal liability in connection with their service to the Company. We also have entered into agreements with our Directors and officers that contractually obligate us to provide this indemnification.

Policies on Business Conduct and Ethics

All of our employees, including our Chief Executive Officer, Chief Financial Officer and controller, are required to abide by our Code of Business Conduct and Ethics to ensure that our business is conducted in a consistently legal and ethical manner. These policies form the foundation of a comprehensive process that includes compliance with corporate policies and procedures, an open relationship among colleagues that contributes to good business conduct, and a commitment to honesty, fair dealing and full compliance with all laws and regulations affecting the Company's business. Our policies and procedures cover all major areas of professional conduct, including employment policies, conflicts of interest, intellectual property and the protection of confidential information, as well as strict adherence to laws and regulations applicable to the conduct of our business.

Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of our Code of Business Conduct and Ethics. As required by the Sarbanes-Oxley Act of 2002, our Audit Committee has procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The full text of our Code of Business Conduct and Ethics is posted on the “Investors - Corporate Governance” page of our website at www.nv5.com.

We will disclose any future amendments to, or waivers from, provisions of these ethics policies and standards on our website as promptly as practicable, as may be required under applicable SEC and NASDAQ rules and, to the extent required, by filing Current Reports on Form 8-K with the SEC disclosing such information.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines that address the composition of the Board, criteria for Board membership and other Board governance matters. These guidelines are available on our website at www.nv5.com on the “Investors - Corporate Governance” page.

Anti-Hedging Policy

We have adopted an insider trading policy that includes an anti-hedging provision restricting the circumstances under which our employees may engage in short sales, maintain shares of our common stock in margin accounts and engage in certain hedging transactions – including zero-cost collars and forward sale contracts – that have the economic effect of locking in a particular value in exchange for future appreciation.

Board and Committee Membership

Meetings of the Board of Directors and Committees

The Board held five (5) meetings during the fiscal year ended December 29, 2018. The Board has three standing committees: the Audit Committee, Compensation Committee and Governance Committee. During fiscal year 2018, each of our Directors attended at least 75% of the total number of meetings of the Board and at least 75% of the total number of meetings of the committees of the Board on which such Director served during that period. Mr. Jeffrey A. Liss, our Lead Independent Director, presided over all executive sessions of our Directors. Mr. Liss will retire from the Board at the 2019 Annual Meeting and our independent directors have appointed Mr. Gerald Salontai to serve as the Lead Independent Director following Mr. Liss' retirement.

The table below provides membership and meeting information for each of the committees of the Board for fiscal year 2018.

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee
Dickerson Wright	-	-	-
Alexander A. Hockman	-	-	-
MaryJo O'Brien	-	-	-
Jeffrey A. Liss (1)	X	X	Chairman
William D. Pruitt	Chairman	X	X
Gerald J. Salontai (2)	-	Chairman	X
François Tardan	X	-	-
Total meetings during fiscal year 2018	4	3	3

(1) Mr. Liss will retire from the Board at the 2019 Annual Meeting and as a result will cease to serve as a member of the Audit Committee and Compensation Committee and chairman of the Governance Committee. The Nominating Committee has recommended Ms. Laurie Conner, candidate for election as a Director, to serve as a member of the Compensation Committee and Nominating and Governance Committee following her election at the 2019 Annual Meeting to fill the vacancy caused by Mr. Liss' retirement.

(2) On March 6, 2019, Mr. Gerald J. Salontai was appointed to serve as chairman of the Governance Committee following Mr. Liss' retirement at the 2019 Annual Meeting.

Audit Committee

The members of the Audit Committee are Messrs. William D. Pruitt (Chairman), Jeffrey A. Liss and François Tardan. Mr. Liss will retire from the Board at the 2019 Annual Meeting and as a result will cease to serve as a member of the Audit Committee. The Nominating Committee recommended and the Board has approved the appointment of Mr. Gerald J. Salontai as a member of the Audit Committee. Each of the members of the Audit Committee is independent for purposes of the NASDAQ Listing Rules and meets the independence standard for audit committee members set out in Rule 10A-3(b)(1) of the Exchange Act. The Board has determined that Mr. William D. Pruitt qualifies as an audit committee financial expert under the rules of the SEC. The functions of the Audit Committee include retaining our independent registered public accounting firm, reviewing its independence, reviewing and approving the planned scope of our annual audit, reviewing and approving any fee arrangements with our independent registered public accounting firm, overseeing its audit work, reviewing and pre-approving any non-audit services that may be performed by our independent registered public accounting firm, reviewing the adequacy of accounting and financial controls, reviewing our critical accounting policies and reviewing and approving any related party transactions. Additional information regarding the Audit Committee is set forth in the Report of the Audit Committee immediately following Proposal No. 2 of this 2019 Proxy Statement.

Compensation Committee

The members of the Compensation Committee are Messrs. Gerald J. Salontai (Chairman), Jeffrey A. Liss and William D. Pruitt. Mr. Liss will retire from the Board at the 2019 Annual Meeting and as a result will cease to serve as a member of the Compensation Committee. The Nominating Committee has recommended Ms. Laurie Conner, candidate for election as a Director, to serve as a member of the Compensation Committee following her election at the 2019 Annual Meeting to fill the vacancy caused by Mr. Liss' retirement. Each of the members of the Compensation Committee is (and Ms. Conner, upon her election, will be) independent for purposes of the NASDAQ Listing Rules. The Compensation Committee is responsible for the design and oversight of our compensation program and policies for our executive officers and non-employee Directors. The Compensation Committee seeks to ensure that the executive pay program reinforces the Company's compensation philosophy and aligns with the interests of our stockholders. The Compensation Committee also reviews and approves all equity grants under the Company's 2011

Equity Incentive Plan (as amended, the “2011 Equity Incentive Plan”) and the Company’s Employee Stock Purchase Plan. The Compensation Committee also periodically monitors any potential risks associated with the Company’s compensation program and policies.

Nominating and Governance Committee

The members of the Governance Committee are Messrs. Jeffrey A. Liss (Chairman), William D. Pruitt and Gerald J. Salontai. The Nominating Committee has recommended Ms. Laurie Conner, candidate for election as a Director, to serve as a member of the Governance Committee following her election at the 2019 Annual Meeting to fill the vacancy caused by Mr. Liss’ retirement. Each of the members of the Governance Committee is (and Ms. Conner, upon her election, will be) independent for purposes of the NASDAQ Listing Rules. The Governance Committee considers qualified candidates for appointment and nomination for election to the Board and makes recommendations concerning such candidates, develops corporate governance principles for recommendation to Board and oversees the regular evaluation of our Directors and management.

Committee Charters

Our Board has adopted a written charter for each of the Audit Committee, Compensation Committee and Governance Committee. Each charter is available on our website at www.nv5.com on the “Investors - Corporate Governance” page.

Director Attendance at Annual Meetings

We attempt to schedule our annual meeting of stockholders at a time and date to accommodate attendance by Directors taking into account the Directors’ schedules. All Directors are encouraged to attend the Company’s annual meeting of stockholders absent an unavoidable and irreconcilable conflict. All of the Directors serving at the time of the 2018 annual meeting of stockholders attended such meeting. All of our Directors and candidates for election or re-election, as the case may be, are expected to attend the 2019 Annual Meeting.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

We have a Board consisting of seven Directors. There are seven nominees for Director to be voted on at the 2019 Annual Meeting. All of the nominees which are current Directors have consented to serve as Directors. Additionally, Ms. Laurie Conner has consented to serve as a Director, subject to her election at the 2019 Annual Meeting. Each Director to be elected will hold office until the next annual meeting and until his or her respective successor is elected and qualified. If any of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as we may designate. Should a nominee become unable to serve or should a vacancy on the Board occur before the 2019 Annual Meeting, the Board may either reduce its size or designate a substitute nominee. If a substitute nominee is named, your shares will be voted for the election of the substitute nominee designated by the Board. In the vote on the election of the Director nominees, stockholders may vote “FOR” nominees or “WITHHOLD” votes from nominees. The seven Director nominees receiving the highest number of “FOR” votes will be elected as Directors. Votes that are withheld, abstentions and broker non-votes will have no effect on the outcome of the election.

The persons appointed by the Board as proxies intend to vote for the election of each of the below Director nominees, unless you indicate otherwise on the proxy or voting instruction card.

Set forth below is biographical and other information about the Director nominees. Following each nominee’s biographical information, we have provided information concerning the particular experience, qualifications, attributes and/or skills that led the Governance Committee and the Board to determine that each nominee should serve as a Director.

Our Board unanimously recommends that you vote “FOR” the nominees named below.

Director Nominees

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director Since</u>
Dickerson Wright	72	Chief Executive Officer and Chairman	September 2011
Alexander A. Hockman	61	Chief Operating Officer, President and Director	January 2015
MaryJo E. O’Brien	56	Director, Executive Vice President, Chief Administrative Officer and Secretary	June 9, 2018
William D. Pruitt	77	Director	March 2013
Gerald J. Salontai	63	Director	March 2013
François Tardan	65	Director	January 2015
Laurie Conner	64	Candidate for Director	Candidate for Director

Dickerson Wright. Mr. Wright has served as Chief Executive Officer and Chairman of the Board of Directors since the Company’s inception in September 2011. Mr. Wright previously served as our President from 2011 until January 1, 2015. Prior to the Company’s inception, Mr. Wright founded NV5 Holdings, Inc. (formerly known as NV5 Global, Inc. and NV5, Inc.), a Delaware corporation and wholly owned subsidiary of ours, in December 2009 and has served as its Chief Executive Officer, President and Chairman of the Board since its inception in December 2009.

Qualifications: Mr. Wright has over 40 years of uninterrupted experience in managing and developing engineering companies. From early 2008 through late 2009, Mr. Wright served as the Chief Executive Officer of Nova Group Services. Prior to joining Nova Group Services, Mr. Wright served as the Chief Executive Officer of Bureau Veritas, U.S. (“BV”), where he was responsible for developing BV’s U.S. operations through strategic acquisitions and follow-on growth. Before Mr. Wright joined BV, it had a minimal presence in the United States; however, by the time Mr. Wright left BV in 2007, its U.S. operations employed 3,200 people in 67 offices and generated \$280 million in revenue. Prior to BV, Mr. Wright founded U.S. Laboratories in 1993 and oversaw its growth to 1,000 employees and \$80 million in revenue. Mr. Wright led U.S. Laboratories to a successful initial public offering in 1999 (NASDAQ: USLB), and, in 2001, U.S. Laboratories was named as the small cap growth stock of the year. Mr. Wright earned a Bachelor of Science degree in Engineering from Pacific Western University and is a board certified engineer in California.

Our Board believes that Mr. Wright’s experience founding, managing and building engineering and consulting firms into national engineering platforms, including a publicly traded engineering and consulting firm, provides us with highly valuable industry specific business, leadership and management experience.

Alexander A. Hockman. Mr. Hockman has served as a member of our Board of Directors since January 28, 2015 and as our Chief Operating Officer and President since January 1, 2015. Prior to becoming President and Chief Operating Officer, Mr. Hockman served as our Executive Vice President beginning September 2011 and President of NV5 - Southeast beginning February 2010.

Qualifications: Mr. Hockman has approximately 30 years of diverse experience in the fields of construction inspections, materials testing, geotechnical, environmental, waterfront, construction and building envelope consulting. From March 2003 until March 2010, Mr. Hockman served as the Chief Operating Officer of the Construction Materials Testing Division of BV. Further, from 1985 until its acquisition by BV in 2003, Mr. Hockman served as the President of Intercounty Laboratories. Mr. Hockman earned a Bachelor of Science degree in Civil Engineering from Florida International University and is a licensed engineer in Florida.

Our Board believes that Mr. Hockman’s experience in construction inspections, materials testing and industry specific consulting, provides us with highly valuable industry specific business and management experience.

MaryJo O’Brien. Ms. O’Brien has served as a member of our Board of Directors since June 9, 2018 and has served as our Executive Vice President, Chief Administrative Officer and Secretary since September 2011. Prior to her present role, Ms. O’Brien served as Executive Vice President of Human Resources and Administration of NV5 Global, Inc. from January 2010 to September 2011.

Qualifications: Ms. O'Brien has more than 30 years of experience in human resources, administration and the engineering and consulting industry. From March 2008 through November 2009, Ms. O'Brien served as the Director of Human Resources for Nova Group Services, Inc. From 2002 to 2008, Ms. O'Brien held various management positions with BV. Further, Ms. O'Brien served in similar human resources and administrative capacities for Testing Engineers - San Diego and U.S. Laboratories from 1987 to 2002. Ms. O'Brien earned a Bachelor's degree in Communications and Business Economics from the University of California at San Diego.

Our Board believes that Ms. O'Brien has extensive administrative experience with public and financial accounting matters for corporate organizations and provides significant insight and expertise to our Board on human resources and relations, executive compensation and public company reporting.

William D. Pruitt. Mr. Pruitt has served as a member of our Board since March 26, 2013.

Qualifications: Mr. Pruitt has served as General Manager of Pruitt Enterprises, LP and President of Pruitt Ventures, Inc. since 2000. Mr. Pruitt has approximately 20 years of experience as an independent board member for numerous companies and has held various roles as either member or chairman for these companies' audit committees. These companies include MAKO Surgical Corp., a developer of robots for knee and hip surgery; Swisher Hygiene, Inc., a hygiene services company; the PBSJ Corporation, an international professional services firm; KOS Pharmaceuticals, Inc., a fully integrated specialty pharmaceuticals company and Adjoined Consulting, Inc., a full-service management consulting firm. From 1980 to 1999, Mr. Pruitt served as the managing partner for the Florida, Caribbean and Venezuela operations of the independent auditing firm of Arthur Andersen LLP. Mr. Pruitt earned a Bachelor of Business Administration degree from the University of Miami and is a Certified Public Accountant, in good standing.

Our Board believes that Mr. Pruitt's extensive experience with public and financial accounting matters for corporate organizations, as well as experience as a consultant to and Director of other public companies, provides significant insight and expertise to our Board.

Gerald J. Salontai. Mr. Salontai has served as a member of our Board since March 26, 2013.

Qualifications: Mr. Salontai has over 35 years of progressive technical, management and leadership experience in the engineering and construction industry. Mr. Salontai is currently the Chief Executive Officer of Salontai Consulting Group, a management advisory company focused on assisting companies achieve success in the areas of strategy, business management and leadership. From 1998 until 2009, Mr. Salontai served as chairman of the board and Chief Executive Officer of The Kleinfelder Group, Inc., a management, planning, engineering, science and construction services consulting company. Prior to his time at Kleinfelder, Mr. Salontai held a number of management positions in several firms, where his responsibilities included strategy implementation, sales execution, delivery of services, quality, customer satisfaction, and overall profit and loss. Mr. Salontai earned both a Bachelor of Science and Master's degree in Civil Engineering from Long Beach State University and graduated from the Executive Management Program at the University of California, Berkeley.

Our Board believes that Mr. Salontai's past experience, including his substantial experience in governance and risk management across a wide range of industries, provides our Board with a keen understanding and a valuable perspective regarding how to achieve lasting success in the areas of engineering and construction related services.

François Tardan has served as a member of our Board since January 28, 2015.

Qualifications: Mr. Tardan has served as Chief Executive Officer of Leitmotiv Private Equity since 2012. From 1998 to 2011, Mr. Tardan served as Executive Vice President and Chief Financial Officer of BV. During Mr. Tardan's tenure at BV, revenues grew from €650 million to €3.4 billion and EBITDA margins increased from 8% to 16.5%.

Under his leadership, the company also completed more than 100 acquisitions in Asia, North America, Latin America, and Europe and completed a successful IPO in 2007 with a placement exceeding €1 billion. BV shares increased in price from €37.7 to €56 during the time Mr. Tardan was with the company despite the impact of the 2008 financial crisis. Before 1998, Mr. Tardan was President and CEO of Fondasol, a notable European geotechnical firm. François Tardan graduated from Ecole Nationale d'Administration (ENA) in Paris and received his MBA from Ecole des Hautes Etudes Commerciales (HEC).

Our Board believes that Mr. Tardan's extensive financial accounting experience with corporate organizations combined with his international leadership experience, provides significant accounting expertise and exceptional global perspective that will aid our Board in making sound decisions regarding our expansion into international markets.

Laurie Conner. Ms. Conner has been nominated as a candidate for election as a member of the Board of Directors at the 2019 Annual Meeting.

Qualifications: Ms. Conner has 35 years of experience in technology companies focusing on strategy, marketing, sales and business development. Ms. Conner has been President and CEO of the Detection Group, a cloud-based IoT technology solution for commercial buildings to reduce water losses, since July 2013. Previously, Ms. Connor served as President of Gazebo Capital Management LLC, a financial technology and investment firm and as Global Vice President of Sales and Marketing for a division of New Focus, a leader in optical networking and photonics. Ms. Conner holds a Bachelor degree in Civil Engineering from Duke University, a Masters degree in Civil & Environmental Engineering from Stanford University and a Masters of Business Administration from the Harvard Business School.

Our Board believes that Ms. Conner's years of experience with technology companies combined with her senior managerial experience in sales and marketing provides significant expertise and perspective that will aid our Board in making sound decisions regarding our expansion into new markets.

EXECUTIVE OFFICERS

The following sets forth information regarding our non-director executive officers as of the date of this 2019 Proxy Statement. For information regarding Dickerson Wright, our Chief Executive Officer and Chairman, Alexander A. Hockman, our Chief Operating Officer, President and Director, and MaryJo O'Brien, our Executive Vice President, Chief Administrative Officer and Secretary and Director, see "Proposal No. 1 - Election of Directors" above.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Donald C. Alford	75	Executive Vice President
Richard Tong	50	Executive Vice President and General Counsel
Michael P. Rama	53	Vice President and Chief Financial Officer

Donald C. Alford. Mr. Alford served as a member of our Board from March 26, 2013 to June 9, 2018 when he retired from the Board at the 2018 Annual Meeting. Mr. Alford has served as our Executive Vice President since September 2011 and as the Executive Vice President of NV5 Global, Inc. since February 2010 and is responsible for M&A and other growth initiatives. From February 2007 until February 2010, Mr. Alford held a similar position with Nova Group Services, Inc. From November 2002 to November 2006, Mr. Alford acted as the exclusive M&A agent in the U.S. for BV. Further, from 1998 to 2002, Mr. Alford served as the Executive Vice President and Secretary for U.S. Laboratories. Mr. Alford earned a Bachelor of Arts degree in History from Princeton University and a Master of Business Administration degree from the University of Virginia. Mr. Alford also served as an officer in the U.S. Marine Corps from 1965 until 1968.

Richard Tong. Mr. Tong has served as our Executive Vice President and General Counsel since April 2010. Mr. Tong has approximately 20 years of experience working in the engineering, environmental, consulting, testing and inspection industry. In his capacity as our Executive Vice President and General Counsel, Mr. Tong devotes a considerable amount of time to acquisitions, strategic planning, corporate compliance and legal matters. From November 2008 through November 2009, Mr. Tong served as the Executive Vice President and General Counsel of Nova Group Services, Inc., an engineering and consulting services company. Mr. Tong also served as the Executive Vice President and General Counsel for BV from January 2003 until November 2008 and headed BV's Legal, Ethics, Compliance, and Risk Management programs in North America. Mr. Tong earned a Bachelor of Science degree in both Biology and Chemistry and a Juris Doctorate degree from the University of Miami and is a licensed attorney in Florida.

Michael P. Rama. Mr. Rama has served as our Vice President and Chief Financial Officer since September 2011 and as the Vice President and Chief Financial Officer of NV5 Holdings, Inc. since August 2011. Mr. Rama has more than 20 years of experience in construction, development and real estate management. Mr. Rama is responsible for all accounting, finance and treasury functions and our SEC reporting. From October 1997 until August 2011, Mr. Rama held various accounting and finance roles with AV Homes, Inc. (formerly known as Avatar Holdings, Inc.) (NASDAQ: AVHI), including Principal Financial Officer, Chief Accounting Officer, and Controller. Mr. Rama's experience includes SEC reporting, establishment and maintenance of internal controls, capital market transactions, and acquisitions. Mr. Rama earned a Bachelor of Science degree in accounting from the University of Florida and is a Certified Public Accountant.

There are no family relationships among any of our current Directors or executive officers.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board has selected Deloitte & Touche LLP to serve as our independent registered public accounting firm to audit the consolidated financial statements of the Company for the fiscal year ending December 28, 2019. Deloitte & Touche LLP has acted in such capacity since its appointment on June 18, 2015. A representative of Deloitte & Touche LLP is expected to be present at the 2019 Annual Meeting, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions.

We are asking our stockholders to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 28, 2019. Although ratification is not required by our Bylaws or otherwise, the Board is submitting the selection of Deloitte & Touche LLP to our stockholders for ratification because we value our stockholders' views on the Company's independent registered public accounting firm and as a matter of good corporate practice.

The affirmative vote of a majority of the shares present and entitled to vote either in person or by proxy at the 2019 Annual Meeting is required for approval of this proposal. Broker non-votes will have no effect on the outcome of this proposal, while abstentions will have the effect of a vote "AGAINST" this proposal.

In the event that our stockholders fail to ratify the selection of Deloitte & Touche LLP, it will be considered a recommendation to the Board and the Audit Committee to consider other auditors for next year. However, because of the difficulty in making any substitution of auditors after the beginning of the current year, the appointment for 2019 will stand unless the Audit Committee determines there is a reason to make a change. Even if the selection of Deloitte & Touche LLP as our independent registered public accounting firm is ratified, the Audit Committee may in its discretion select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

Our Board unanimously recommends a vote "FOR" the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2019.

Audit and Non-Audit Fees

The following table sets forth the aggregate fees billed to the Company for the fiscal years ended December 29, 2018 and December 30, 2017 by Deloitte & Touche LLP:

	Year Ended December 29, 2018	Year Ended December 30, 2017
Audit fees (1)	\$ 1,480,044	\$ 842,865
Audit-related fees (2)	-	70,009
Tax fees (3)	-	-
All other fees (4)	-	-
Total	\$ 1,480,044	\$ 912,874

Audit fees consist of fees billed for professional services rendered for the audit of our consolidated annual financial statements, the review of the interim consolidated financial statements included in quarterly reports and services (1) that are normally provided in connection with statutory and regulatory filings or engagements, consultations in connection with acquisitions and issuances of auditor consents and comfort letters in connection with SEC registration statements and related SEC registered and non-registered securities offerings.

(2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees."

Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning (3) (domestic and international). These services include assistance regarding federal, state and international tax compliance, acquisitions and international tax planning.

(4) All other fees consist of fees for products and services other than the services reported above.

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

The Audit Committee has pre-approved all auditing services and permitted non-audit services performed for us by Deloitte & Touche LLP in 2018 and 2017, including the fees and terms thereof (subject to the de minimus exceptions for non-audit services described in the Exchange Act, which are approved by the Audit Committee prior to the completion of the audit).

The Audit Committee has determined that all services performed by Deloitte & Touche LLP are compatible with maintaining the independence of Deloitte & Touche LLP. The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee may form and delegate authority to subcommittees of the Audit Committee, consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval process.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee currently consists of three Directors, each of whom, in the judgment of the Board, is an "independent director" as defined in the NASDAQ Listing Rules. The Audit Committee acts pursuant to a written charter that has been adopted by the Board. A copy of the charter is available on the Company's website at www.nv5.com on the "Investors - Corporate Governance" page.

As described more fully in its charter, the purpose of the Audit Committee is to:

oversee the Company's relationship with its independent auditors, including appointing or changing the Company's independent auditors and ensuring their independence;

oversee the Company's accounting and financial reporting processes, the Company's systems of internal control and audits of the Company's financial statements; and

approve in advance the engagement of the independent registered public accounting firm for all audit and non-audit services.

Management is responsible for the preparation, presentation and integrity of our financial statements as well as our financial reporting process, accounting policies, internal accounting controls and disclosure controls and procedures. The independent registered public accounting firm is responsible for performing an independent audit of our financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee has:

reviewed and discussed the Company's audited financial statements with management;

discussed with Deloitte & Touche LLP, the Company's independent registered public accounting firm, the matters required to be discussed by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard 1301, *Communications with Audit Committees*; and

received from Deloitte & Touche LLP the written disclosures and the letter regarding its communications with the Audit Committee concerning independence as required by the applicable requirements of the PCAOB and discussed with Deloitte & Touche LLP the firm's independence from our Company and management.

In addition, the Audit Committee has met separately with management and Deloitte & Touche LLP and reviewed and discussed with management and Deloitte & Touche LLP the results of management's assessment of the effectiveness of the Company's internal control over financial reporting and Deloitte & Touche LLP's audit of internal control over financial reporting. The Audit Committee discussed with management and Deloitte & Touche LLP the material weakness identified during management's assessment and the audit and management's plan for remediation.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements for the fiscal year ended December 29, 2018 be included in the Company's 2018 Annual Report on Form 10-K for the year ended December 29, 2018 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

William D. Pruitt (Chairman)
Jeffrey A. Liss (1)
François Tardan

(1) Mr. Liss will retire from the Board at the 2019 Annual Meeting.

The foregoing Report of the Audit Committee shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that the Company specifically incorporates such information by reference in such filing and shall not otherwise be deemed "filed" under either the Securities Act or the Exchange Act or considered to be "soliciting material."

COMPENSATION DISCUSSION AND ANALYSIS

Overview

With NV5 moving from being considered an "emerging growth company," or "EGC," under the JOBS Act to a "well known seasoned issuer" for purposes of the SEC's rules, we are presenting for the first time in this 2019 Proxy Statement an analysis and more detailed description of the Company's executive compensation philosophy, practices and policies as they concern the officers named below, also referred to as "named executive officers" or "NEOs." While 2019 may represent the first time we are filing this information publicly – accompanied by a report of the Compensation Committee, as required by SEC rules – please recognize that NV5 has at all times strived to reflect a fundamental "pay for performance" culture regarding executive compensation, which drives the work of both our

Compensation Committee members and the members of our management team who support their efforts. Our board and senior management have long observed the primary objectives of NV5's executive compensation policies to be:

Attracting and retaining the best qualified executives to provide both strategic vision and management excellence

Aligning the interests of our senior executives with the long-term success of the Company

Recognizing and rewarding growth in our business, increasing total shareholder returns and appropriate risk management

Motivating our executives to work seamlessly as a team while performing at the highest levels of which they are capable as individuals

NV5 believes that it has been very fortunate to have such stable leadership for as many years as these executives have been working together. Our overall executive compensation philosophy and the related de-emphasis on short-term gains (either for the Company or the executives) has – we believe – played a large role in creating the loyalty, drive and perspective of our management, which in turn has generated remarkable growth and long-term value for our stockholders.

In 2019, we will also be holding our first-ever stockholder advisory vote regarding executive compensation, as part of our move from EGC status. The purpose of this analysis and discussion is to provide our stockholders sufficient information when casting this advisory vote to appreciate all of the elements of our executive compensation program, how the mix of compensation can affect both the NEO involved as well as the whole NV5 organization and why (in certain cases) features which might be helpful or applicable for a different company would not make sense or create the same incentives at NV5. A companion advisory vote is also being presented allowing stockholders a voice in guiding the frequency of our future say-on-pay votes. After careful consideration, we have chosen to recommend that NV5's stockholders approve a biennial, or every two years, say-on-pay vote. We believe this timing will allow sufficient stockholder engagement regarding executive compensation policies and practices in light of the results of the advisory votes without diverting management's attention from the strategic and operational goals set for them by the Compensation Commission and our senior management. Should the need for a more or less frequent say-on-pay vote become apparent as a result of that engagement, the Board plans to revisit this recommendation.

For purposes of review and analysis in this 2019 Proxy Statement, our NEOs for all relevant periods are:

Name	Title
Dickerson Wright	Chief Executive Officer and Chairman
Alexander A. Hockman	Chief Operating Officer and President
Richard Tong	Executive Vice President and General Counsel
Donald C. Alford	Executive Vice President
Michael P. Rama	Vice President and Chief Financial Officer

Fiscal 2018 Financial Highlights

Fiscal 2018 Gross Revenues – GAAP were \$418.1 million, an increase of 26% from \$333.0 million compared to fiscal 2017.

Net income per fully diluted share for fiscal 2018 was \$2.33 per diluted share, an increase of 4.5% from \$2.23 per diluted share compared to fiscal 2017.

Strong Stock Price Performance

NV5 has demonstrated a resilient track record of strong growth in cumulative total return for its stockholders since we began trading on NASDAQ in 2013. Our total stockholder return (“TSR”) of 12% in fiscal 2018 contributed to our cumulative TSR of over 740% for the period from fiscal 2013 through fiscal 2018. We compare our TSR to the Russell 2000 Index and the S&P 1500 Construction and Engineering Index, and outperformed both in fiscal 2018 and over the cumulative five-year period. TSR measures the return that we have provided our stockholders, including stock price appreciation and dividends paid (assuming reinvestment thereof).

The material in this chart is not soliciting material, is not deemed filed with the SEC and is not incorporated in any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this 2019 Proxy Statement and irrespective of any general incorporation language in such filing.

Compensation Best Practices Highlights

NV5's executive compensation program has been designed to incorporate many industry best practices, including:

Best Practices in NV5's Program

- Pay for performance
- Annual performance-based incentives paid entirely in restricted stock in current periods
- Two/Three-year vesting period for equity performance-based awards
- Modest perquisites
- Use of peer group to benchmark and analyze compensation levels and metrics
- Double-trigger change of control provisions
- NEOs (other than CEO) party to at-will employment contracts
- Anti-hedging and anti-pledging policies

Practices We Do Not Engage In

- No defined benefit pension plan
- No re-pricing of stock options (none issued since IPO in 2013)
- No excise tax gross-up provisions in employment agreements

From the Top Down – NV5's Compensation Philosophy

Our core principle is that good people should be paid well when they do an outstanding job. We also believe that short-term opportunism should be discouraged and therefore have designed our compensation packages to reward informed risk-taking by our senior executives. We apply this philosophy to our entire senior executive team - including our CEO Mr. Wright - who by turn follow these principles when making compensation decisions lower down in the NV5 organization.

By keeping our compensation program competitive yet straightforward, NV5 believes it can attract, motivate and retain a talented and driven team of executive officers who will provide leadership for our continued success in the changing and highly competitive markets we face. We also seek to accomplish these objectives in a way that rewards both company and individual performance and aligns with our stockholders' long-term interests.

The compensation for our NEOs consists of two primary elements: base salary and annual performance bonuses, the latter of which has been paid entirely in restricted stock in current periods. While we believe that our base salaries provide a fixed level of compensation necessary to attract and retain our executive officers, a significant portion of their compensation is in the form of variable annual performance bonuses.

We do not have specific policies for allocating between cash and non-cash compensation. Rather, the Compensation Committee maintains a balance of performance-based and retention-oriented pay for each executive, considering peer group market data on the mix of pay but also using discretion in making its decisions.

Variable equity awards are designed to reward corporate and individual performance and future share value appreciation in a simple and straightforward manner. NV5's executive compensation program is also designed to generate noticeable stability within the executive team.

Each NEO is a member of NV5's executive team and is expected to contribute to the organization's overall success rather than focus solely on specific objectives within his or her area of responsibility. Given this team-based approach, NV5 considers relative compensation levels among all executive team members to ensure that our compensation programs are applied consistently and equitably.

Benchmarking and Our Place in the Industry

In setting competitive compensation levels, the Compensation Committee considers pay data and information derived from our compensation peer group. Peer group companies were selected primarily based on the following criteria:

- Companies with similar revenue and market capitalization
- Companies within the same industry, which includes other professional services organizations
- Companies that are part of the market from which we compete for talent

In light of differences between larger capitalization engineering companies and very small public companies in our industry, in addition to the publicly traded comparables, we also sought data from larger privately-held companies in the engineering industry. After elimination of "outlier" data and normalizing adjustments, the Compensation Committee reviews the information in the competitive analysis regarding peer executive compensation, our executive compensation and our financial performance in comparison to the selected peers and considers that information, among other things, when it determines total compensation levels.

The Process of Setting Total Compensation, Compensation Mix and Incentive Goals

For 2018, the Compensation Committee made pay decisions based on this annual market assessment of compensation and specific factors about each NEO, including individual performance, experience, internal equity, NV5 results, scope and responsibility and retention.

The Compensation Committee exercises its independent judgment to determine compensation levels for our CEO. Mr. Wright does not participate in the Compensation Committee's deliberations or decisions about his own compensation. For all other executive officers, the Compensation Committee considers the CEO's recommendation for setting compensation levels. The Compensation Committee gives considerable weight to the CEO's evaluation of the other NEOs because of his direct and personal knowledge of each executive's performance and capabilities. The Compensation Committee approved compensation for the CEO and all other executive officers.

Compensation Committee members have access to certain relevant information due to their position in the industry and will request NV5 management to compile other market information for the Committee's review. This process generally takes place twice each year: first in March as the Compensation Committee prepares to review base salary levels and fix incentive compensation for the most recently completed fiscal year and again in December as the members meet to determine the annual incentive goals applicable to the NEOs for the upcoming fiscal year. Members of the Compensation Committee usually will convene a third time each year in connection with NV5's annual meeting of stockholders, which provides another opportunity for them to review and discuss the overall program objectives and effectiveness, as well as review the Committee's charter, matters relating to compensation consultants and other issues concerning its function more generally.

The Compensation Committee does not set compensation levels or mix to meet any specific market benchmark percentile such as "median peer group compensation." NV5 believes that while peer group analysis can be helpful in guiding certain compensation determinations, differences between NV5 and the peer group may lead to skewing of results – either upwards or downwards – and also to avoid compensation being awarded in a manner unrelated to or inconsistent with the value created by the NEOs or the overall performance of NV5.

NV5's annual incentive compensation awards are heavily based on prior year corporate and individual performance, and determined with regard to objective and quantifiable goals discussed in advance with each NEO following the December meeting of the Compensation Committee.

Compensation Elements

As noted above, the primary components of NV5's executive compensation program are base salary and performance based annual bonuses paid in time-based restricted stock. Each element is described in more detail below.

As a general matter, determination regarding one element of compensation tend not to affect decisions regarding other elements given their different roles and purposes in motivation and retention.

Base Salary

The Compensation Committee seeks to use base salary to provide the NEOs a minimum, fixed level of cash compensation commensurate with their positions, experience, performance and qualifications. Base salary is designed to reward core competence in the executive role. NV5 chooses to pay base salary for talent attraction and retention.

Salaries initially are negotiated and set forth in employment agreements with each of our executive officers and thereafter reviewed annually by the Compensation Committee, generally in March of each year. Salaries consider the performance of the executive, market data adjusted for individual qualifications, job requirements and individual performance. In 2018, the Compensation Committee approved increases in the base salaries of our NEOs as shown in the table below:

Annual Performance Bonus

The Compensation Committee may grant annual cash bonuses under NV5’s annual bonus plan and annual equity incentive awards (“AEIs”) under our 2011 Equity Incentive Plan, approved by our stockholders on March 8, 2013 (the “2011 Plan”). The Compensation Committee eliminated annual cash bonuses beginning in 2015 in favor of all incentive compensation being granted in the form of AEIs comprising time-based restricted stock. The AEIs are used to motivate NEOs to meet and exceed specified operating, financial, strategic, and individual measures, and goals that are expected to contribute to stockholder value creation.

2018 AEI Performance Measures and Targets

The AEIs for NEOs other than the CEO are granted based on the achievement of pre-determined financial metrics (Total Revenues and EBITDA) and individual performance metrics (such as “implementation of enterprise cybersecurity” or “expansion of revolving credit facility”), which are objective and ascertainable. The Compensation Committee approved these metrics at its December 2017 meeting, which are aligned to our long-term operating and financial goals that drive long-term stockholder value. Mr. Wright’s employment agreement vests discretion in the Compensation Committee to consider both personal and Company performance (without regard to specific metrics) when determining AEIs.

Fiscal 2018 Target AEI Opportunities

The following table sets forth each NEO’s target award opportunities, expressed as a percentage of each NEO’s base salary. Generally, no bonus is paid if performance is below the threshold performance goals.

Name	Target Award (%)
-------------	-----------------------------

Dickerson Wright (1)	-
Alexander A. Hockman	50%
Richard Tong	50%
Donald C. Alford	75%
Michael P. Rama	50%

(1) Mr. Wright's employment agreement vests discretion in the Compensation Committee to grant bonus amounts without regard to fixed performance metrics.

These targets were derived in part from our 2018 peer group and competitive survey analysis data and in part by the Compensation Committee's judgment on the internal equity of the positions and scope of job responsibilities. The targets are set by the Compensation Committee, and other than in the case of the CEO, are generally within the range set forth in the relevant NEO's employment agreement.

Retirement Benefits

The objective of our 401(k) plan is to assist employees (including our NEOs) with the accumulation of assets to fund their retirement benefits. The 401(k) plan allows us to maintain a to a competitive retirement package.

The 401(k) plan is available to all employees who have completed at least 30 days of service. Our executive officers may participate in the 401(k) Plan. The matching contributions to the 401(k) Plan are discretionary based on the profitability of NV5. When a contribution is made to the 401(k) Plan it is made 100% in cash.

The 401(k) Plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As such, contributions to the 401(k) Plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) Plan, and all contributions are deductible by us when made. The 401(k) Plan also allows post-tax contributions. The amounts of our matching contributions for our NEOs for 2018, 2017 and 2016 under the 401(k) Plan are included in the "All Other Compensation" column of the Summary Compensation Table on page 27.

Perquisites

We provide a limited number of perquisites to our NEOs (a car lease or allowance to all NEOs and a reimbursement of certain aircraft related expenses to Mr. Wright) with the objective of attracting and retaining executive officers in a highly competitive market for executive talent.

The total value of perquisites provided to the NEOs during 2018 represented a small fraction of each NEO's total compensation. These amounts are included in the second to last column of the Summary Compensation Table on page 27 under "All Other Compensation" and related footnotes.

Anti-Hedging and Anti-Pledging Policies

NV5 has a policy prohibiting its directors, management, financial and other insiders from engaging in transactions in NV5 securities or derivatives of NV5 securities that might be considered hedging, or from holding NV5 securities in margin accounts or pledging NV5 securities as collateral for a loan, unless such person demonstrates the financial capacity to repay the loan without resort to the pledged securities.

Prohibition of Re-Pricing without Shareholder Approval

The 2011 Plan contains a prohibition on the repricing of stock options without shareholder approval.

Termination of Employment and Change in Control Agreements

Employment Agreements

We generally negotiate employment agreements with our NEOs. The objective of these arrangements is to secure qualified executive officers for leadership positions in our organization as well as to protect our business and intellectual property by restrictive covenants, including non-competition covenants, contained in the agreements. As of April 11, 2019, we had employment agreements with all our NEOs for their current positions. See “*Executive Employment Agreements*” below.

Our employment agreements provide for the payment of certain compensation and benefits in the event of termination of an executive's employment following a change in control of NV5. The amount payable varies depending upon the reason for the payment. Providing for payments upon a change in control helps preserve NV5's value by reducing any incentive for key executive officers to seek employment elsewhere if a change in control of NV5 is proposed or becomes likely. Moreover, on an ongoing basis, these arrangements help maintain the continuity of our management team, which we view as a driver of shareholder value. See "*Change in Control Provisions, Severance Benefits and Employment Agreements*," below for a description of these provisions and a calculation of the amounts that would be payable thereunder if a change in control of NV5 had occurred on December 29, 2018.

Accounting for Share-Based Compensation

Before granting AEs or other equity-based compensation awards, the Compensation Committee considers the accounting impact of the award as structured and under various other scenarios to analyze the expected impact of the award.

Impact of Tax Treatments of a Particular Form of Compensation

The tax treatment of the elements of our compensation program is one factor considered by the Compensation Committee and management in the design of NV5's executive compensation program. Prior to 2018, Section 162(m) of the Code limited the annual federal income tax deduction to \$1 million for compensation paid to certain executive officers of publicly-held companies. This deduction limitation did not apply if the compensation met certain qualifying performance based requirements. However, the Tax Cuts and Jobs Act of 2017 (TCJA) repealed the performance-based exception effective with the 2018 tax year. Therefore, more of our executive compensation will likely not be tax deductible, although the impact of the loss of this tax benefit may be partially offset by the lower corporate income tax rate applicable under TCJA. Although the Compensation Committee and management considers the impact of Section 162(m) of the Code as well as other tax and accounting consequences when developing and implementing the Company's executive compensation programs, the Compensation Committee retains the flexibility to design and administer compensation programs that are in the best interests of the Company and its shareholders.

Independent Oversight and Expertise

NV5's Compensation Committee, which is comprised solely of independent directors, has responsibility for overseeing our executive compensation program. The charter of the Compensation Committee gives it the authority, in its sole discretion and at NV5's expense, to obtain advice and assistance from external advisors. The Committee may retain and terminate any compensation consultant or other external advisor and has sole authority to approve any such advisor's fees and other terms and conditions of the retention. In retaining its advisors, the Committee must consider

each advisor's independence from management.

In 2019, the Compensation Committee engaged Meridian Compensation Partners, LLC (“Meridian”) as its compensation consultant. Meridian will assist and advise the Compensation Committee on executive and director compensation matters. Meridian did not perform any services for NV5 or the Compensation Committee in any capacity prior to its engagement in February 2019.

Meridian and the Compensation Committee have the following protocols in place to ensure their independence from management:

The Compensation Committee has the sole authority to select, retain, and terminate Meridian, as well as authorize Meridian's fees and determine the other terms and conditions that govern the engagement

The Compensation Committee directs Meridian on the process for delivery and communication of its work product, including its analyses, findings, conclusions, and recommendations

In the performance of its duties, Meridian is accountable and reports directly to the Compensation Committee

The Compensation Committee may consult with Meridian at any time, with or without members of management present, at the Compensation Committee's sole discretion

Prior to engaging Meridian, the Compensation Committee evaluated Meridian's independence by taking into account the six independence factors set forth under Nasdaq rules applicable to listed companies. The Compensation Committee also obtained a representation letter from Meridian addressing these six factors and certain other matters related to its independence. Based on the Compensation Committee's evaluation of these factors and the representations from Meridian, the Compensation Committee concluded that Meridian is an independent adviser and has no conflicts of interest with us.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis (CD&A) required by Item 402(b) of Regulation S-K with management and, based on its review and these discussions, has recommended to the Board of Directors that the CD&A be included or incorporated by reference in our fiscal year 2018 Annual Report on Form 10-K and this 2019 Proxy Statement.

The Compensation Committee welcomes feedback regarding our executive compensation program. Stockholders may communicate with the Committee by writing to the Compensation Committee Chair, c/o MaryJo O'Brien, Corporate Secretary.

Gerald Salontai, Chair
Jeffrey A. Liss
William D. Pruitt

This Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, unless specifically incorporated by reference therein.

EXECUTIVE COMPENSATION

Compensation of Named Executive Officers

The following table sets forth information concerning the compensation earned during the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016 by our Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$) (1)	Stock Awards (\$) (2)	Non-Equity Incentive Plan			All Other Compensation (\$) (3)	Total (\$)
					Option Award (\$) (1)	Deferred Compensation (\$) (1)	Nonqualified Compensation (\$) (1)		
Dickerson Wright Chief Executive Officer and Chairman	2018	\$543,186	\$ -	\$959,613	\$ -	\$ -	\$ -	\$ 36,706	\$1,539,505
	2017	\$516,355	\$ -	\$559,014	\$ -	\$ -	\$ -	\$ 23,273	\$1,098,642
	2016	\$483,462	\$ -	\$400,000	\$ -	\$ -	\$ -	\$ 33,595	\$917,057
Alexander A. Hockman Chief Operating Officer and President	2018	\$378,846	\$ -	\$299,879	\$ -	\$ -	\$ -	\$ 17,328	\$696,053
	2017	\$365,000	\$ -	\$174,986	\$ -	\$ -	\$ -	\$ 17,035	\$681,914
	2016	\$360,385	\$ -	\$112,000	\$ -	\$ -	\$ -	\$ 16,302	\$488,687
Richard Tong Executive Vice President and General Counsel	2018	\$282,633	\$ -	\$209,915	\$ -	\$ -	\$ -	\$ 2,776	\$495,325
	2017	\$273,281	\$ -	\$106,944	\$ -	\$ -	\$ -	\$ 1,129	\$381,354
	2016	\$262,308	\$ -	\$-	\$ -	\$ -	\$ -	\$ 6,358	\$268,666
Donald C. Alford Executive Vice President	2018	\$295,385	\$ -	\$239,903	\$ -	\$ -	\$ -	\$ 2,419	\$537,707
	2017	\$278,656	\$ -	\$147,810	\$ -	\$ -	\$ -	\$ 497	\$426,963
	2016	\$263,846	\$ -	\$160,000	\$ -	\$ -	\$ -	\$ 3,797	\$427,643
Michael P. Rama Vice President and Chief Financial Officer	2018	\$270,385	\$ -	\$179,927	\$ -	\$ -	\$ -	\$ 2,289	\$452,601
	2017	\$253,077	\$ -	\$73,877	\$ -	\$ -	\$ -	\$ 2,678	\$329,632
	2016	\$235,385	\$ -	\$60,000	\$ -	\$ -	\$ -	\$ 2,480	\$297,865

Performance-based bonuses are generally paid under our Bonus Plan and reported as Non-Equity Incentive Plan (1) Compensation. Except as otherwise noted, amounts reported as Bonus represent discretionary bonuses awarded by the Compensation Committee in addition to the amount (if any) earned under the Bonus Plan.

(2) Represents restricted stock awards granted in 2018, 2017 and 2016 pursuant to our 2011 Equity Incentive Plan. The aggregate grant date fair value of such awards were computed in accordance with Financial Accounting Standards Board ASC Topic 718, Stock Compensation (ASC Topic 718), and do not take into account estimated forfeitures related to service-based vesting conditions, if any. The valuation assumptions used in calculating these values are discussed in Note 13 of the Notes to Consolidated Financial Statements in the Company's 2018 Annual Report, as filed with the SEC. These amounts do not represent actual amounts paid or to be realized. Amounts shown are not necessarily indicative of values to be achieved, which may be more or less than the amounts shown as awards are subject to time-based vesting.

Consists of matching contributions to the Company's 401(k) plan, which may be subject to forfeiture, for Messrs. (3) Wright, Hockman, Tong and Rama, group term life insurance premiums for all Named Executive Officers, reimbursements for Mr. Wright's auto lease payments, and car allowance payments made by us to Mr. Hockman.

For a discussion of the material terms of each NEO's employment agreement, see the "Executive Employment Agreements" section below.

Pay Ratio Disclosure

As a result of our move from EGC status, and as required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are providing the ratio of the annual total compensation of our Chief Executive Officer, Mr. Dickerson Wright, to that of our median employee (excluding our Chief Executive Officer). The pay ratio was calculated in a manner consistent with Item 402(u) of Regulation S-K and based upon our reasonable judgment and assumptions. For fiscal year 2018, Mr. Wright's annual total compensation was \$1,539,505, the median employee compensation was \$88,968 and our estimate of the CEO pay ratio was 19:1.

To determine our median employee, we reviewed compensation data from the NV5 U.S. employee population on December 21, 2018. The median employee was determined using 2018 W-2 wages for all U.S. employees and equivalent taxable compensation for all non-U.S. employees were excluded as they represented less than 5% of our total employee population. We also excluded employees of CHI Engineering Services, Inc., CALYX Engineers, and Consultants, Inc., CSA (M&E Ltd.) and Butsko Utility Design, Inc. as permitted by SEC rules in light of our acquisition of these companies in 2018. To identify the median employee, earnings during the 52-week period of between December 29, 2017 to December 21, 2018 were reviewed. For employees who worked a partial year because of a hire date that fell after the start of the fiscal year, earnings were annualized. However, earnings were not annualized for casual employees.

The SEC rules for identifying the median employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information with respect to the value of all outstanding equity awards previously awarded to our NEOs as of December 29, 2018.

Option Awards Name	Number of	Number of Securities	Equity Incentive	Stock Awards		Equity Incentive	Equity Incentive
				Option Exercise	Market Expiration		

	Securities Underlying Unexercised Options (#) exercisable	Underlying Unexercised Options (#) unexercisable	Plan Awards: Number of Securities Underlying Unexercised Options (#)	Price (\$)	Date	Shares or Units of Stock that Have Not Vested (#)(1)	Value of Shares or Units of Stock that Have Not Vested (\$)(2)	Plan Awards: Number of Shares, Units or Rights that Have Not Vested (#)	Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)
Dickerson Wright	-	-	-	-	-	51,232	2,983,752	-	-
Richard Tong	-	-	-	-	-	6,414	373,551	-	-
Alexander A. Hockman	-	-	-	-	-	95,368	5,554,232	-	-
Donald C. Alford	-	-	-	-	-	16,473	959,388	-	-
Michael P. Rama	-	-	-	-	-	8,013	466,677	-	-

(1) The grant dates and vesting dates for such unvested shares are as follows:

		05/26/2016	07/10/2016	05/31/2017	07/26/2017	05/14/2018	Total No. of Shares
	01/02/2015						
Dickerson Wright	-	20,000	-	15,232	-	16,000	51,232
Richard Tong	-	-	-	2,914	-	3,500	6,414
Alexander A. Hockman	80,000	5,600	-	4,768	-	5,000	95,368
Donald C. Alford	-	8,000	500	3,576	397	4,000	16,473
Michael P. Rama	-	3,000	-	2,013	-	3,000	8,013
Vesting Date	04/01/2019	05/26/2019	07/10/2019	05/31/2020	07/26/2020	05/14/2020	
	(four-year cliff vesting)	(three-year cliff vesting)	(three-year cliff-vesting)	(three-year cliff vesting)	(three-year cliff vesting)	(two-year cliff vesting)	

(2) Calculated by multiplying the number of restricted shares of common stock held by \$58.24 which is the quoted market price per share of our common stock as of December 28, 2018.

Executive Employment Agreements

We have written employment agreements with each of our NEOs that provide for, among other things, the payment of base salary, reimbursement of certain costs and expenses, and for each NEO's participation in our bonus plan and employee benefit plans.

We entered into employment agreements with Donald Alford effective August 1, 2010, Richard Tong and Alexander Hockman effective October 1, 2010, Dickerson Wright effective April 11, 2011 and as amended on August 29, 2017 and November 7, 2018, and Michael Rama effective January 25, 2012 that govern the terms of their respective service with us. Mr. Wright's employment agreement provides for an initial term of five years with automatic successive two-year renewal terms, unless earlier terminated in accordance with the terms of such employment agreement. The employment agreements with each of our other NEOs provide for a term of employment commencing on the date of the agreement and continuing until we or the respective NEO provide 30 days written notice of termination to the other party, upon termination by us for Cause (as defined in each NEOs respective employment agreement), or upon the executive's death or Disability (as defined in each NEOs respective employment agreement).

Except with respect to certain items of compensation, as described below, the terms of each agreement are similar in all material respects.

The employment agreement with Mr. Wright as amended to date provides for an annual base salary of \$551,263, subject to annual review by our Board and subject to an annual increase equal to the greater of a Consumer Price Index adjustment or 5%, and includes provisions relating to Section 409A of the Code. The employment agreement with Mr. Wright entitles him to receive a performance bonus based on criteria established by our Board and to receive reimbursement of all reasonable expenses incurred in connection with our business.

The other NEO employment agreements as amended and modified by annual review by our Board to date, provide for an annual base salary of \$300,000 for Mr. Alford, \$385,000 for Mr Hockman, \$286,000 for Mr. Tong and \$275,000 for Mr. Rama, subject to continuing annual review by our Board. Mr. Alford's agreement entitles him to receive up to a 75% performance bonus based on criteria established upon employment and to receive reimbursement of all reasonable and necessary expenses incurred in connection with our business. Messrs. Tong's, Hockman's, and Rama's respective employment agreements entitle such executive to receive up to a 50% performance bonus based on criteria established upon employment and to receive reimbursement of expenses incurred in connection with our business in an amount not to exceed, on an annual basis, 10% of such executive's annual base salary.

In 2011, we entered into an amendment to each of Messrs. Alford's, Tong's and Hockman's employment agreements providing that in the event of a Change in Control (as defined below), during the term of such executive's employments we are obligated to pay such executive a single lump sum payment, within 30 days of the termination of such executive's employment, equal to such executive's annual base salary for two years, plus any unused vacation pay and the value of the annual fringe benefits for the year immediately preceding the year in which such executive's employment terminates, plus the value of the portion of such executive's benefits under any savings, pension or profit sharing plans that are forfeited under those plans by reason of the termination of such executive's employment. Further, if a Change in Control occurs during such executive's employment, then such executive's equity awards, if any, shall immediately vest, notwithstanding any other provision in such respective equity award agreement to the contrary. A "Change in Control" means approval by our stockholders of (1)(a) a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which persons who were our stockholders immediately prior to such transaction do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of Directors of the reorganized, merged or consolidated company's then outstanding voting securities, in substantially the same proportions as their ownership immediately prior to such transaction, (b) our liquidation or dissolution, or (c) the sale of all or substantially all of our assets (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned); or (2) the acquisition in a transaction or series of transactions by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, of more than 50% of either the then outstanding shares of common stock or the combined voting power of our then outstanding voting securities entitled to vote generally in the election of Directors (a "Controlling Interest"), excluding any acquisitions by (a) us or our subsidiaries, (b) any person, entity or "group" that as of the date of the amendments to the employment agreements owns beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act of a Controlling Interest, or (c) any employee benefit plan of ours or our subsidiaries.

In 2015, we entered into an amendment to each of Messrs. Alford's, Hockman's, Tong's, and Rama's employment agreements. The amendments (i) update certain provisions of the employment agreements with respect to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) reduce the amount to be paid in connection with a termination of employment following a Change in Control, so that upon termination, the executive shall be paid: (1) one year of executive's base salary, plus any unused vacation pay for the year immediately preceding the year in which the executive's employment is terminated, which shall be paid in a lump sum; and (2) the monthly COBRA premiums for the executive, for a period of one year following termination.

Each employment agreement entitles the NEO to receive customary and usual fringe benefits generally available to our executive officers, and to be reimbursed for reasonable out-of-pocket business expenses. Pursuant to Mr. Wright's employment agreement, we have also agreed to pay monthly management fees to a non-related third party, Chatham Enterprises, LLC, relating to an aircraft in which Mr. Wright has an ownership interest.

Except as described below with respect to Mr. Wright's employment agreement, the employment agreements prohibit the NEOs from engaging in any work that creates an actual conflict of interest with us, and include customary confidentiality, non-competition and non-solicitation covenants that prohibit such executives, during their employment with us and for 12 months thereafter, from (1) using or disclosing any confidential proprietary information of our Company, (2) engaging in any manner, or sharing in the earnings of or investing in, any person or entity engaged in any business that is in the same line of business as us, (3) soliciting our current customers with whom such executive has contact on our behalf during the two years immediately preceding such executive's termination and, (4) inducing or attempting to induce any of our employees to leave our employ. In addition, during the NEO's term of employment and thereafter, the NEO shall not interfere with the business of our company by way of disrupting our relationships with customers, agents, representatives or vendors or disparaging or diminishing the reputation of the Company. Mr. Wright's employment agreement provides that (a) the foregoing non-competition covenant does not apply following the termination of employment if his employment is terminated without Cause or for Good Reason (each as defined below), (b) the foregoing non-solicitation of employees covenant applies with respect to any current employee or any former employee who was employed by us within the prior six months, and (c) the foregoing non-solicitation of customers covenant applies to all actual or targeted prospective clients of ours to the extent solicited on behalf of any person or entity in connection with any business competitive with our business and requires Mr. Wright to keep confidential any information relating in any manner to the Company's business relationship with such customers. As consideration and compensation to each NEO (except for Mr. Wright) for, and subject to such NEO's adherence to certain of the above covenants and limitations, we have agreed that during the one-year non-competition period following each such NEO's termination, we will continue to pay each such NEO's base salary in the same manner as if such executive continued to be employed by us.

Unless otherwise noted above, and except for the termination payments pursuant to Mr. Wright's employment agreement as described below, upon termination of employment under the employments agreements, we are only required to pay the terminated NEO such portions of his respective annual base salary that have accrued and remain unpaid through the effective date of such NEO's termination, and we have no further obligation whatsoever to such NEO other than reimbursement of previously incurred expenses which are appropriately reimbursable under our expense reimbursement policy; provided, however, that in the event of termination of employment due to the death of an NEO, we will continue to pay to such NEO's estate such NEO's annual base salary for the period through the end of the calendar month in which such death occurs.

In the event of a merger or consolidation of our Company with another corporation or entity, or if substantially all of our assets are sold or otherwise transferred to another corporation or entity, the provisions of the employment agreements will be binding upon and inure to the benefit of the continuing or surviving corporation.

Change in Control Provisions, Severance Benefits and Employment Agreements

We have not adopted a Company-wide severance policy. With the exception of Mr. Wright's employment agreement, which provides for an initial term of five years and automatic successive renewal terms as described above, all of our NEOs are considered at-will and their employment can be terminated by either us or the employee upon 30 days

written notice. While certain NEOs' employment agreements contain provisions related to payments due to such NEO upon a Change in Control of our Company, with the exception of Mr. Wright's employment agreement and the payments to each of the other NEOs during the one-year non-competition period, none of our employment agreements provide for post-termination benefits unrelated to a Change in Control.

The following table sets forth information with respect to the value of payments or vesting acceleration, as applicable, such NEO would be entitled to receive assuming a qualifying termination or Change in Control, as applicable, as of December 29, 2018:

Name and Principal Position	Severance; BACKGROUND-COLOR: #ccee	\$445	\$1,428	\$1,497
Graphics Segment inter-segment net sales	\$562	\$125	\$1,006	\$256
Technology inter-segment net sales	\$8,932	\$7,675	\$18,316	\$14,947
All Other Category inter-segment net sales	\$--	\$--	\$--	\$308

The Company considers its geographic areas to be: 1) the United States, and 2) Canada. The Company's operations are in the United States, with one operation previously in Canada. As a result of the sale of a subsidiary on September 30, 2014, the Company no longer has a presence in Canada (See Note 13). The geographic distribution of the Company's net sales and long-lived assets are as follows:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2015	2014	2015	2014
Net Sales (a):				
United States	\$84,687	\$84,715	\$170,612	\$163,140
Canada	--	--	--	41
	\$84,687	\$84,715	\$170,612	\$163,181

	December 31,	June 30,
	2015	2015
Long-lived Assets (b):		

United States	\$ 45,395	\$44,965
Canada	--	--
	\$ 45,395	\$44,965

- a. Net sales are attributed to geographic areas based upon the location of the operation making the sale.

- b. Long-lived assets include property, plant and equipment, and other long-term assets. Goodwill and intangible assets are not included in long-lived assets.

NOTE 4 - EARNINGS PER COMMON SHARE

The following table presents the amounts used to compute basic and diluted earnings per common share, as well as the effect of dilutive potential common shares on weighted average shares outstanding (in thousands, except per share data) :

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2015	2014	2015	2014
<u>BASIC EARNINGS PER SHARE</u>				
Net income	\$3,782	\$1,588	\$7,532	\$3,115
Weighted average shares outstanding during the period, net of treasury shares (a)	24,637	24,124	24,569	24,123
Weighted average vested restricted stock units outstanding	25	--	26	--
Weighted average shares outstanding in the Deferred Compensation Plan during the period	249	325	243	319
Weighted average shares outstanding	24,911	24,449	24,838	24,442
Basic earnings per share	\$0.15	\$0.06	\$0.30	\$0.13
<u>DILUTED EARNINGS PER SHARE</u>				
Net income	\$3,782	\$1,588	\$7,532	\$3,115
Weighted average shares outstanding				
Basic	24,911	24,449	24,838	24,442
Effect of dilutive securities (b): Impact of common shares to be issued under stock option plans, and contingently issuable shares, if any	713	58	567	64
Weighted average shares outstanding (c)	25,624	24,507	25,405	24,506
Diluted earnings per share	\$0.15	\$0.06	\$0.30	\$0.13

(a) Includes shares accounted for as treasury stock according to accounting standards.

- (b) Calculated using the “Treasury Stock” method as if dilutive securities were exercised and the funds were used to purchase common shares at the average market price during the period.

Options to purchase 1,115,250 common shares and 2,377,900 common shares at December 31, 2015 and 2014, respectively, and options to purchase 1,506,800 common shares and 2,371,900 common shares at December 31, (c) 2015 and 2014, respectively, were not included in the computation of the three month and six month periods for diluted earnings per share, respectively, because the exercise price was greater than the average fair market value of the common shares.

NOTE 5 – INVENTORIES

The following information is provided as of the dates indicated:

<i>(In thousands)</i>	December 31, 2015	June 30, 2015
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Inventories:

Raw materials	\$ 27,414	\$27,920
Work-in-process	4,498	4,658
Finished goods	13,973	10,505
Total Inventories	\$ 45,885	\$43,083

NOTE 6 - ACCRUED EXPENSES

The following information is provided as of the dates indicated:

<i>(In thousands)</i>	December 31, 2015	June 30, 2015
-----------------------	-------------------------	------------------

Accrued Expenses:

Compensation and benefits	\$ 11,097	\$11,614
Customer prepayments	1,762	1,324
Accrued sales commissions	2,021	1,982
Accrued warranty	4,310	3,408
Other accrued expenses	4,117	3,798
Total Accrued Expenses	\$ 23,307	\$22,126

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

Carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with the accounting standard on goodwill and intangible assets. The Company may first assess qualitative factors in order to determine if goodwill and indefinite-lived intangible assets are impaired. If through the qualitative assessment it is determined that it is more likely than not that goodwill and indefinite-lived assets are not impaired, no further testing is required. If it is determined more likely than not that goodwill and indefinite-lived assets are impaired, or if the Company elects not to first assess qualitative factors, the Company's impairment testing continues with the estimation of the fair value of goodwill and indefinite-lived intangible assets using a combination of a market approach and an income (discounted cash flow) approach, at the reporting unit level, that requires significant management judgment with respect to revenue and expense growth rates, changes in working capital and the selection and use of an appropriate discount rate. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease an impairment charge. Company management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as adverse business conditions, economic factors and technological change or competitive activities may signal that an asset has become impaired.

The Company identified its reporting units in conjunction with its annual goodwill impairment testing. The Company relies upon a number of factors, judgments and estimates when conducting its impairment testing. These include operating results, forecasts, anticipated future cash flows and marketplace data, to name a few. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill impairment.

The following table presents information about the Company's goodwill on the dates or for the periods indicated:

Goodwill	Lighting	Graphics	Technology	All Other	Total
<i>(In thousands)</i>	Segment	Segment	Segment	Category	
Balance as of June 30, 2015					
Goodwill	\$34,913	\$28,690	\$ 11,621	\$ --	\$75,224
Accumulated impairment losses	(34,778)	(27,525)	(2,413)	--	(64,716)
Goodwill, net as of June 30, 2015	\$ 135	\$ 1,165	\$ 9,208	\$ --	\$ 10,508
Balance as of December 31, 2015					
Goodwill	\$34,913	28,690	11,621	--	75,224
Accumulated impairment losses	(34,778)	(27,525)	(2,413)	--	(64,716)
Goodwill, net as of December 31, 2015	\$ 135	1,165	9,208	\$ --	\$ 10,508

In the first quarter of fiscal 2015, the Company sold LSI Saco Technologies Inc. A customer relationship intangible asset with a gross carrying amount of \$1,036,000 and accumulated amortization of \$428,000 was sold as a result of the sale of LSI Saco Technologies (See Note 13).

The gross carrying amount and accumulated amortization by major other intangible asset class is as follows:

Other Intangible Assets <i>(In thousands)</i>	December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	\$9,316	7,436	1,880
Patents	338	136	202
LED technology firmware, software	11,228	10,950	278
Trade name	460	460	--
Non-compete agreements	710	653	57
Total Amortized Intangible Assets	22,052	19,635	2,417
Indefinite-lived Intangible Assets			
Trademarks and trade names	3,422	--	3,422
Total Indefinite-lived Intangible Assets	3,422	--	3,422
Total Other Intangible Assets	\$25,474	19,635	5,839

Other Intangible Assets	June 30, 2015		
	Gross	Accumulated	Net
	Carrying	Amortization	Amount
<i>(In thousands)</i>	Amount		
Amortized Intangible Assets			
Customer relationships	\$9,316	\$ 7,290	\$ 2,026
Patents	338	120	218
LED technology firmware, software	11,228	10,910	318
Trade name	460	460	--
Non-compete agreements	710	602	108
Total Amortized Intangible Assets	22,052	19,382	2,670
Indefinite-lived Intangible Assets			
Trademarks and trade names	3,422	--	3,422
Total Indefinite-lived Intangible Assets	3,422	--	3,422
Total Other Intangible Assets	\$25,474	\$ 19,382	\$ 6,092

<i>(In thousands)</i>	Amortization	
	Expense of	
	Other Intangible	
	Assets	
	December	December
	31,	31, 2014
	2015	
Three Months Ended	\$ 127	\$ 127
Six Months Ended	\$ 253	\$ 275

The Company expects to record annual amortization expense as follows:

<i>(In thousands)</i>	
2016	\$505

2017	\$409
2018	\$400
2019	\$400
2020	\$327
After 2020	\$629

NOTE 8 - REVOLVING LINE OF CREDIT

In March 2015, the Company renewed its \$30 million unsecured revolving credit line. The line of credit expires in the third quarter of fiscal 2018. Interest on the revolving line of credit is charged based upon an increment over the LIBOR rate as periodically determined, or at the bank's base lending rate, at the Company's option. The increment over the LIBOR borrowing rate, as periodically determined, fluctuates between 150 and 190 basis points depending upon the ratio of indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined in the credit facility. The fee on the unused balance of the \$30 million committed line of credit is 12.5 basis points. Under the terms of this credit facility, the Company has agreed to a negative pledge of assets and is required to comply with financial covenants that limit the amount of debt obligations, require a minimum amount of tangible net worth, and limit the ratio of indebtedness to EBITDA. There are no borrowings against the line of credit as of December 31, 2015.

The Company is in compliance with all of its loan covenants as of December 31, 2015.

NOTE 9 - CASH DIVIDENDS

The Company paid cash dividends of \$1,721,000 and \$1,688,000 in the six months ended December 31, 2015 and 2014, respectively. Dividends on restricted stock units in the amount of \$4,690 were accrued in the six months ended December 31, 2015. These dividends will be paid upon the vesting of the restricted stock units when shares are issued to the award recipients. In January 2016, the Board of Directors declared a regular quarterly cash dividend of \$0.05 per share payable February 16, 2016 to shareholders of record as of February 8, 2016. The new indicated annual cash dividend rate is \$0.20 per share.

NOTE 10 - EQUITY COMPENSATION

Stock Based Compensation

The Company has an equity compensation plan that was approved by shareholders in November 2012 and that covers all of its full-time employees, outside directors and certain advisors. This 2012 Stock Incentive Plan replaced all previous equity compensation plans of the Company. The options granted and stock awards made pursuant to this Plan are granted at fair market value at the date of grant or award. Service-based options granted to non-employee directors become exercisable 25% each ninety days (cumulative) from the date of grant and options granted to employees generally become exercisable 25% per year (cumulative) beginning one year after the date of grant. Performance-based options granted to employees become exercisable 33.3% per year (cumulative) beginning one year after the date of grant. The maximum contractual term of the Company's stock options is ten years. If a stock option holder's employment with the Company terminates by reason of death, disability or retirement, as defined in the Plan, the Plan generally provides for acceleration of vesting. The number of shares reserved for issuance is 1,522,593 shares, all of which were available for future grant or award as of December 31, 2015. This Plan allows for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted and unrestricted stock awards, performance stock awards, and other stock awards. Service based and performance based stock options were granted and restricted stock units ("RSUs") were awarded during the six months ended December 31, 2015. As of December 31, 2015, a total of 3,340,462 options for common shares were outstanding from this Plan as well as one previous stock option plan (which has also been approved by shareholders), and of these, a total of 1,628,976 options for common shares were vested and exercisable. As of December 31, 2015, the approximate unvested stock option expense that will be recorded as expense in future periods is \$3,110,463. The weighted average time over which this expense will be recorded is approximately 32 months. Additionally, as of December 31, 2015 a total of 67,000 RSUs were outstanding. The approximate unvested stock compensation expense that will be recorded as expense in future periods for the RSUs is \$332,454. The weighted average time over which this expense will be recorded is approximately 36 months.

Stock Options

The fair value of each option on the date of grant was estimated using the Black-Scholes option pricing model. The below listed weighted average assumptions were used for grants in the periods indicated.

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2015	2014	2015	2014
Dividend yield	1.33%	1.17%	1.28%	1.17%
Expected volatility	43 %	56 %	44 %	56 %
Risk-free interest rate	1.38%	1.64%	1.67%	1.64%
Expected life (in years)	6.0	6.0	6.0	6.0

At December 31, 2015, the 1,016,800 options granted during the first six months of fiscal 2016 to employees had exercise prices ranging from \$8.84 to \$11.82 per share, fair values ranging from \$3.28 to \$4.48 per share, and remaining contractual lives of between nine years, six months and nine years, eleven months.

At December 31, 2014, the 593,400 options granted during the first six months of fiscal 2015 to employees had exercise prices ranging from \$5.96 to \$6.94 per share, fair values ranging from \$2.19 to \$3.48 per share, and remaining contractual lives of between nine years, nine months and nine years, eleven months.

The Company calculates stock option expense using the Black-Scholes model. Stock option expense is recorded on a straight line basis, or sooner if the grantee is retirement eligible as defined in the 2012 Stock Incentive Plan, with an estimated 3.1% forfeiture rate effective October 1, 2015. Previous estimated forfeiture rates were between 2.0% and 3.3% for the period January 1, 2013 through September 30, 2015. The expected volatility of the Company's stock was calculated based upon the historic monthly fluctuation in stock price for a period approximating the expected life of option grants. The risk-free interest rate is the rate of a five year Treasury security at constant, fixed maturity on the approximate date of the stock option grant. The expected life of outstanding options is determined to be less than the contractual term for a period equal to the aggregate group of option holders' estimated weighted average time within which options will be exercised. It is the Company's policy that when stock options are exercised, new common shares shall be issued. The Company recorded \$342,134 and \$796,192 of expense related to stock options in the three months ended December 31, 2015 and 2014, respectively, and \$1,830,707 and \$881,825 of expense related to stock options in the six months ended December 31, 2015 and 2014, respectively. As of December 31, 2015, the Company had 3,287,071 stock options that were vested and that were expected to vest, with a weighted average exercise price of \$9.12 per share, an aggregate intrinsic value of \$12,468,545 and weighted average remaining contractual terms of 6.8 years.

Information related to all stock options for the three months ended December 31, 2015 and 2014 is shown in the following tables:

	Six Months Ended December 31, 2015			
		Weighted		
	Shares	Average	Average	Aggregate
		Exercise	Remaining	Intrinsic
		Price	Contractual	Value
			Term (in	
			years)	
Outstanding at 6/30/15	2,677,436	\$ 8.85	6.1	\$4,914,601
Granted	1,016,800	\$ 9.38		
Forfeitures	(55,050)	\$ 11.65		
Exercised	(298,724)	\$ 7.20		
Outstanding at 12/31/15	3,340,462	\$ 9.11	6.8	\$12,661,470
Exercisable at 12/31/15	1,628,976	\$ 9.95	4.5	\$6,032,985

Six Months Ended December 31, 2014

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at 6/30/14	2,677,464	\$ 9.57	5.4	\$1,674,010
Granted	593,400	\$ 6.66		
Forfeitures	(378,525)	\$ 9.99		
Exercised	(24,725)	\$ 5.84		
Outstanding at 12/31/14	2,867,614	\$ 8.95	6.3	\$558,591
Exercisable at 12/31/14	1,778,589	\$ 10.24	4.6	\$438,785

The following table presents information related to unvested stock options:

		Weighted-Average	
	Shares	Grant Date	Fair Value
Non-vested at June 30, 2015	1,080,198	\$	2.99
Granted	1,016,800	\$	3.63
Vested	(355,462)	\$	2.91
Forfeited	(30,050)	\$	3.30
Non-vested at December 31, 2015	1,711,486	\$	3.38

The weighted average grant date fair value of options granted during the six month periods ended December 31, 2015 and 2014 was \$3.63 and \$3.23, respectively. The aggregate intrinsic value of options exercised during the six month periods ended December 31, 2015 and 2014 was \$852,596 and \$22,383, respectively. The aggregate grant date fair value of options that vested during the six month periods ended December 31, 2015 and 2014 was \$1,035,041 and \$598,316, respectively. The Company received \$2,149,606 and \$144,352 of cash from employees who exercised options in the six month periods ended December 31, 2015 and 2014, respectively. In the first six months of fiscal 2016 the Company recorded \$300,868 as a reduction of federal income taxes payable, \$46,066 as an increase in common stock, \$84,781 as a reduction of income tax expense, and \$170,021 as a reduction of the deferred tax asset related to the exercises of stock options in which the employees sold the common shares prior to the passage of twelve months from the date of exercise. In the first six months of fiscal 2015 the Company recorded \$7,834 as a reduction of federal income taxes payable, \$36,575 as a reduction in common stock, \$7,690 as a reduction of income tax expense, and \$36,718 as a reduction of the deferred tax asset related to the exercises of stock options in which the employees sold the common shares prior to the passage of twelve months from the date of exercise.

Restricted Stock Units

A total of 72,000 RSUs with a weighted average fair value of \$9.39 per share were awarded to employees during the six months ended December 31, 2015. The Company determined the fair value of the awards based on the closing price of the Company's common stock on the date the restricted stock units were awarded. The RSUs have a four year ratable vesting period. The RSUs are non-voting, but accrue cash dividends at the same per share rate as those cash dividends declared and paid on LSI's common stock. Dividends on RSUs in the amount of \$5,040 were accrued or paid in the six months ended December 31, 2015. Accrued dividends are paid to the holder upon vesting of the RSUs and issuance of shares. As of December 31, 2015, the 67,000 restricted stock units outstanding had a remaining contractual life of 9 years, 6 months. Of the 67,000 RSUs outstanding, 64,434 are expected to vest as of December 31, 2015. An estimated forfeiture rate of 3.3% was used in the calculation of expense related to the restricted stock units. The Company recorded \$33,276 and \$319,533 of expense related to RSUs in the three and six month periods ended December 31, 2015. There were no RSUs awarded prior to July 1, 2015.

Director and Employee Stock Compensation Awards

The Company awarded a total of 12,590 and 13,800 common shares in the six months ended December 31, 2015 and 2014, respectively, as stock compensation awards. These common shares were valued at their approximate \$113,400 and \$96,000 fair market values based on their stock price at dates of issuance multiplied by the number of common shares awarded, respectively, pursuant to the compensation programs for non-employee directors who receive a portion of their compensation as an award of Company stock and for employees who received a nominal recognition award in the form of company stock. Stock compensation awards are made in the form of newly issued common shares of the Company.

Deferred Compensation Plan

The Company has a Non-qualified Deferred Compensation Plan providing for both Company contributions and participant deferrals of compensation. This plan is fully funded in a Rabbi Trust. All plan investments are in common shares of the Company. As of December 31, 2015 there were 28 participants, all with fully vested account balances. A total of 250,075 common shares with a cost of \$2,375,242, and 226,600 common shares with a cost of \$2,145,100 were held in the plan as of December 31, 2015 and June 30, 2015, respectively, and, accordingly, have been recorded as treasury shares. The change in the number of shares held by this plan is the net result of share purchases and sales on the open stock market for compensation deferred into the plan and for distributions to terminated employees. The Company does not issue new common shares for purposes of the non-qualified deferred compensation plan. The company accounts for assets held in the non-qualified deferred compensation plan according to accounting guidance. The Company used approximately \$276,800 and \$139,100 to purchase 29,021 and 20,034 common shares of the Company in the open stock market during the six months ended December 31, 2015 and 2014, respectively, for either employee salary deferrals or Company contributions into the non-qualified deferred compensation plan. For fiscal year 2016, the Company estimates the Rabbi Trust for the Nonqualified Deferred Compensation Plan will make net repurchases in the range of 35,000 to 39,000 common shares of the Company. The Company does not currently repurchase its own common shares for any other purpose.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

<i>(In thousands)</i>	Six Months Ended	
	December 31 2015	2014
Cash payments:		
Interest	\$23	\$ 36
Income taxes	\$4,650	\$ 21
Issuance of common shares as compensation	\$ 113	\$ 96

NOTE 12 - COMMITMENTS AND CONTINGENCIES

As part of the acquisition of Virticus Corporation on March 19, 2012, a contingent Earn-Out liability was established. This discounted liability was to be paid over a five year period, contingent upon reaching certain sales in each year over the five year period (fiscal year 2013 through fiscal year 2017). In fiscal 2013, as a result of modified sales forecasts for LSI Controls (fka, LSI Virticus), the fair value of the Earn-Out liability was adjusted to zero. As of December 31, 2015, the maximum potential undiscounted liability related to the Earn-Out is \$2 million. This would be based upon the achievement of a defined level of sales of lighting control systems in fiscal years 2016 through 2017. The likelihood of this occurring is not considered probable.

The Company is party to various negotiations, customer bankruptcies, and legal proceedings arising in the normal course of business. The Company provides reserves for these matters when a loss is probable and reasonably estimable. The Company does not disclose a range of potential loss because the likelihood of such a loss is remote. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

The Company may occasionally issue a standby letter of credit in favor of third parties. As of December 31, 2015, there were no standby letter of credit agreements.

NOTE 13 – SALE OF SUBSIDIARY

On September 30, 2014, the Company sold the stock of its wholly owned subsidiary LSI Saco Technologies Inc., located in Montreal, Canada, for \$1.9 million cash. The sale resulted in a pre-tax loss of \$565,000. As a result of the sale, the Company terminated the \$5 million unsecured revolving line of credit for this Canadian operation. LSI Saco reported \$41,000 of net customer sales and a \$(183,000) operating loss in the first quarter of fiscal 2015 prior to the sale. LSI Saco was reported in the All Other Category. The sale of LSI Saco was not considered the sale of a discontinued operation because the Company migrated most of its manufacturing, research and development, and selling activities from LSI Saco to the Company's Cincinnati, Ohio location.

NOTE 14 – SEVERANCE COSTS

Pursuant to a management succession agreement entered into in fiscal 2004 as subsequently amended, the Company's former Chief Executive Officer, Robert J. Ready, relinquished this title and related management responsibilities when the Company hired and appointed a new Chief Executive Officer in October 2014. Mr. Ready remained on the Company's Board of Directors until his death in March 2015, but was no longer Chairman of the Board following the November 2014 Annual Meeting of Shareholders. The management succession agreement provided for 18 months of compensation to be paid to Mr. Ready, which resulted in a severance charge in the second quarter of fiscal 2015 of \$800,000. Severance payments totaling \$224,000 were made in the second and third quarters of fiscal 2015. The remaining \$576,000 severance liability was recognized as income when Mr. Ready died in March 2015. Pursuant to the management succession agreement a \$1 million self-insured death benefit was paid to Mr. Ready's beneficiary in the fourth quarter of fiscal 2015.

In January 2015, the Company initiated a reduction in force and recorded severance charges of \$340,000 and facility exit charges of \$21,200 in the third quarter of fiscal 2015. This reduction in force and employee retirements that occurred early in the third quarter of fiscal 2015 represented approximately 8.3% of the Company's total salaried workforce and approximately \$3.7 million of annual total compensation and benefit reductions. The Company recorded severance charges of \$223,000 during the first half of fiscal year 2016 in the Graphics Segment.

The activity in the Company's Accrued Severance Liability is as follows for the periods indicated:

	Six	Six	Fiscal
	Months	Months	Year
<i>(In thousands)</i>	Ended	Ended	Ended
	December	December	June
	31,	31,	30,
	2015	2014	2015
Balance at beginning of the period	\$ 379	\$ --	\$--
Accrual of expense	223	944	1,718
Payments	(314)	(213)	(704)
Adjustments	(58)	--	(635)
Balance at end of the period	\$ 230	\$ 731	\$379

NOTE 15 – INCOME TAXES

The Company's effective income tax rate is based on expected income, statutory rates and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, the Company estimates the annual income tax rate based on projected taxable income for the full year and records a quarterly income tax provision or benefit in accordance with the anticipated annual rate. The Company refines the estimates of the year's taxable income as new information becomes available, including actual year-to-date financial results. This continual estimation process often results in a change to the expected effective income tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected income tax rate. Significant judgment is required in determining the effective tax rate and in evaluating tax positions.

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2015	2014	2015	2014
Reconciliation to effective tax rate:				
Provision for income taxes at the anticipated annual tax rate	33.3 %	36.1 %	34.5 %	41.0 %
Impact of foreign operations	--	--	--	(0.2)

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Enactment of tax law changes	(2.0)	(6.1)	(1.0)	(2.9)
Uncertain tax positions	(0.3)	(1.3)	(0.3)	(1.2)
Other	(1.2)	(0.3)	(0.7)	(2.4)
Effective tax rate	29.8%	28.4%	32.5%	34.3%

The Protecting Americans from Tax Hike Act of 2015 that made permanent the tax credit for research and development (“R&D”), retroactive back to January 1, 2015, was signed into law in December 2015. Therefore, the Company recorded an estimated R&D tax credit benefit of \$111,000 in December 2015 for the second half of fiscal year 2015, and estimated an R&D tax credit in its calculation of the estimated income tax rate for fiscal 2016. Other items in this December 2015 tax bill will have little impact on the Company’s income tax expense.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company’s condensed consolidated financial statements, accompanying notes and the “Safe Harbor” Statement, each as appearing earlier in this report, should be referred to in conjunction with this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Net Sales by Business Segment <i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2015	2014	2015	2014
Lighting Segment	\$59,601	\$59,796	\$118,676	\$115,517
Graphics Segment	21,034	20,269	42,787	36,293
Technology Segment	4,052	4,650	9,149	11,330
All Other Category	--	--	--	41
	\$84,687	\$84,715	\$170,612	\$163,181

Operating Income (Loss) by Business Segment <i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2015	2014	2015	2014
Lighting Segment	\$5,182	\$4,090	\$10,864	\$8,317
Graphics Segment	2,035	1,065	4,196	1,118
Technology Segment	993	499	2,333	1,131
All Other Category	--	--	--	(183)
Corporate and Eliminations	(2,830)	(3,430)	(6,250)	(5,625)
	\$5,380	\$2,224	\$11,143	\$4,758

Summary Comments

Fiscal 2016 second quarter net sales of \$84,687,000 decreased slightly as compared to second quarter fiscal 2015 net sales of \$84,715,000. Net sales were favorably influenced by increased net sales of the Graphics Segment (up \$0.8

million or 3.8%). Net sales were unfavorably influenced by decreased net sales of the Lighting Segment (down \$0.2 million or 0.3%) and decreased net sales of the Technology Segment (down \$0.6 million or 12.9%).

Fiscal 2016 first half net sales of \$170,612,000 increased \$7.4 million or 4.6% as compared to the same period of fiscal 2015. Net sales were favorably influenced by increased net sales of the Lighting Segment (up \$3.2 million or 2.7%) and increased net sales of the Graphics Segment (up \$6.5 million or 17.9%). Net sales were unfavorably influenced by decreased net sales of the Technology Segment (down \$2.2 million or 19.3%).

Fiscal 2016 second quarter operating income of \$5,380,000 increased \$3.2 million or 142% from operating income of \$2,224,000 in the same period the prior year. The \$3.2 million increase in operating income was the net result of an increase in gross profit and an increase in gross profit as a percentage of net sales from 24.3% in the second quarter of fiscal 2015 to 28.3% in the second quarter of fiscal 2016, on relatively similar sales year-over-year, and an increase in selling and administrative expenses.

Fiscal 2016 first half operating income of \$11,143,000 increased \$6.4 million or 134% from operating income of \$4,758,000 in the same period the prior year. The \$6.4 million increase in operating income was the net result of increased net sales, an increase in gross profit and an increase in gross profit as a percentage of net sales from 24.0% in the first half of fiscal 2015 to 27.7% in the first half of fiscal 2016, an increase in selling and administrative expenses, and the net effect of the gain on the sale of a facility more than offset by the loss on the sale of a subsidiary in fiscal 2015 with no comparable events in fiscal 2016.

The Company's total net sales of products related to solid-state LED technology in light fixtures, in certain elements of graphics products, and video screens have been recorded as indicated in the table below.

<i>(In thousands)</i>	LED Net Sales		% Change	
	FY 2016	FY 2015		
First Quarter	\$38,911	\$30,898	25.9	%
Second Quarter	42,325	37,432	13.1	%
First Half	81,236	68,330	18.9	%
Third Quarter		30,878		
Nine Months		99,208		
Fourth Quarter		35,779		
Full Year		\$134,987		

Second quarter fiscal 2016 LED net sales of \$42,325,000 were up \$4.9 million or 13.1% from the same period of the prior year. The \$42,325,000 total LED net sales and the \$4.9 million increase is the net result of Lighting Segment LED net sales of \$41.6 million (up \$4.5 million or 12.3%), Graphics Segment LED net sales of \$0.6 million (up \$0.3 million or 96.5%), and Technology Segment LED net sales of LED video screens of \$0.1 million. First half fiscal 2015 total LED net sales of \$81,236,000 were \$12.9 million or 18.9% higher than the same period of the prior year. The \$81,236,000 total LED net sales and the \$12.9 million increase are primarily the net result of Lighting Segment LED net sales of \$79.0 million (up \$12.3 million or 18.5%), and Graphics Segment LED net sales of \$1.7 million (up \$0.9 million or 107%).

Non-GAAP Financial Measures

The Company believes it is appropriate to evaluate its performance after making adjustments to the as-reported U.S. GAAP operating income, net income, and earnings per share. Adjusted operating income, net income and earnings per share, which exclude the impact of severance costs, the gain on the sale of the manufacturing facility, the loss on the sale of the subsidiary, and the income tax effect of the utilization of a long-term capital loss are non-GAAP financial

measures. We believe that these adjusted supplemental measures are useful in assessing the operating performance of our business. These supplemental measures are used by our management, including our chief operating decision maker, to evaluate business results. We exclude these items because they are not representative of the ongoing results of operations of our business. Below is a reconciliation of these non-GAAP measures to operating income, net income, and earnings per share for the periods indicated.

(in thousands, unaudited)	Second Quarter	
	FY	FY
	2016	2015
Reconciliation of operating income to adjusted operating income:		
Operating Income as reported	\$5,380	\$2,224
Adjustment for severance costs	223	800
Adjusted Operating Income	\$5,603	\$3,024

(in thousands, except per share data; unaudited)	Second Quarter			
	FY 2016	Diluted EPS	FY 2015	Diluted EPS
Reconciliation of net income to adjusted net income:				
Net income and earnings per share as reported	\$3,782	\$ 0.15	\$1,588	\$ 0.06
Adjustment for severance costs, inclusive of the income tax effect	146 ⁽¹⁾	0.01	517 ⁽²⁾	0.02
Adjusted net income and earnings per share	\$3,928	\$ 0.15	\$2,105	\$ 0.09

The income tax effects of the adjustments in the tables above were calculated using the estimated U.S. effective income tax rates for the periods indicated. The income tax effects were as follows (in thousands):

⁽¹⁾ 77

⁽²⁾ 283

(in thousands, unaudited)	First Half	
	FY 2016	FY 2015
Reconciliation of operating income to adjusted operating income:		
Operating Income as reported	\$11,143	\$4,758
Adjustment for severance costs	223	800
Adjustment for the gain on the sale of a manufacturing facility	\$--	\$(343)
Adjustment for the loss on sale of a subsidiary	--	565
Adjusted Operating Income	\$11,366	\$5,780

(in thousands, except per share data; unaudited)	First Half		FY 2015	Diluted EPS
	FY 2016	Diluted EPS		
Reconciliation of net income to adjusted net income:				
Net income and earnings per share as reported	\$7,532	\$ 0.30	\$3,115	\$ 0.13
Adjustment for severance costs, inclusive of the income tax effect	146 ⁽¹⁾	0.01	517 ⁽²⁾	0.02
Adjustment for the gain on the sale of a manufacturing facility, inclusive of the income tax effect	--	--	(224) ⁽³⁾	(0.01)
Adjustment for the loss on sale of a subsidiary	--	--	565 ⁽⁴⁾	0.02
Income tax effect of utilization of a long-term capital loss	--	--	(101) ⁽⁵⁾	0.00
Adjusted net income and earnings per share	\$7,678	\$ 0.30	\$3,872	\$ 0.16

The income tax effects of the adjustments in the tables above were calculated using the estimated U.S. effective income tax rates for the periods indicated. The income tax effects were as follows (in thousands):

⁽¹⁾ 77

⁽²⁾ 283

⁽³⁾ (119)

⁽⁴⁾ 0

⁽⁵⁾ 0

Results of Operations

**THREE MONTHS ENDED DECEMBER 31, 2015 COMPARED TO THREE MONTHS ENDED
DECEMBER 31, 2014**

Lighting Segment

	Three Months Ended	
<i>(In thousands)</i>	December 31	
	2015	2014
Net Sales	\$59,601	\$59,796
Gross Profit	\$15,669	\$14,791
Operating Income	\$5,182	\$4,090

Lighting Segment net sales of \$59,601,000 in the second quarter of fiscal 2016 decreased slightly from fiscal 2015 same period net sales of \$59,796,000. The Lighting Segment's net sales of light fixtures having solid-state LED technology totaled \$41.6 million in the second quarter of fiscal 2016, representing a \$4.5 million or 12.3% increase from fiscal 2015 second quarter net sales of solid-state LED light fixtures of \$37.1 million. Net sales of light fixtures having solid-state LED technology accounted for 69.5% of total Lighting Segment net sales. There was a reduction in the Company's traditional lighting sales (metal halide and fluorescent light sources) from second quarter fiscal 2015 to second quarter fiscal 2016 as customers converted from traditional lighting to light fixtures having solid-state LED technology.

Gross profit of \$15,669,000 in the second quarter of fiscal 2016 increased \$0.9 million or 5.9% from the same period of fiscal 2015, and increased from 24.6% to 25.9% as a percentage of Lighting Segment net sales (customer plus inter-segment net sales). The \$0.9 million increase in the amount of gross profit at a higher gross margin as a percentage of net sales is due to the net effect of improved procurement of material, competitive pricing pressures, and improved manufacturing efficiencies as a result of the Company's lean initiatives. The Company has also taken a more strategic approach with its customer base by pursuing more profitable programs. Also contributing to the change in gross profit is decreased outside service expense (\$0.1 million) and increased warranty expense (\$0.8 million).

Selling and administrative expenses of \$10,487,000 in the second quarter of fiscal year 2016 decreased \$0.2 million or 2.0% from the same period of fiscal 2015 primarily as the net result of decreased employee compensation and benefits expense (\$0.2 million), decreased outside service expense (\$0.1 million), decreased research and development expense (\$0.4 million), partially offset by an increase in corporate shared service costs (\$0.4 million) and small increases in expense on other cost categories.

The Lighting Segment second quarter fiscal 2016 operating income of \$5,182,000 increased \$1.1 million or 26.7% from operating income of \$4,090,000 in the same period of fiscal 2015. This increase of \$1.1 million was primarily the net result of an increase in the gross profit and gross margin as a percentage of sales, and decreased selling and administrative expenses.

Graphics Segment

<i>(In thousands)</i>	Three Months	
	Ended	
	December 31	
	2015	2014
Net Sales	\$21,034	\$20,269
Gross Profit	\$6,207	\$4,129
Operating Income	\$2,035	\$1,065

Graphics Segment net sales of \$21,034,000 in the second quarter of fiscal 2016 increased \$0.8 million or 3.8% from fiscal 2015 same period net sales of \$20,269,000. The \$0.8 million increase in Graphics Segment net sales is the net result of image conversion programs and sales to several petroleum / convenience store customers (\$2.4 million net increase), one grocery retailer (\$0.6 million increase), one national drug store retailer (\$0.3 million decrease), several quick service restaurant chains (\$0.6 million net decrease), four commercial market customers (\$0.3 million net decrease), one banking customer (\$0.2 million decrease), and changes in volume or completion of several other graphics programs (\$0.8 million net decrease). The Graphics Segment net sales of graphic identification products that contain solid-state LED light sources and LED lighting for signage totaled \$0.6 million in the second quarter of fiscal 2016, representing a \$0.3 million or 96.5% increase from fiscal 2015 net sales of \$0.3 million.

Gross profit of \$6,207,000 in the second quarter of fiscal 2016 increased \$2.1 million or 50.3% from the same period of fiscal 2015. Gross profit as a percentage of Graphics Segment net sales (customer plus inter-segment net sales) increased from 20.2% in the second quarter of fiscal 2015 to 28.7% in the second quarter of fiscal 2016. The change in the amount of gross profit is due to the net effect of increased net sales, a lower gross profit margin on installation net sales, an increase in gross profit on product net sales, decreased freight costs, decreased supplies expense (\$0.1 million), and increased employee compensation and benefit expense (\$0.4 million).

Selling and administrative expenses of \$4,172,000 in the second quarter of fiscal 2016 increased \$1.1 million or 36.2% from the same period of fiscal 2015 primarily as the net result of increased employee compensation and benefits expense (\$0.9 million) and increased outside service expense (\$0.1 million).

The Graphics Segment second quarter fiscal 2016 operating profit of \$2,035,000 increased \$1.0 million or 91% from the same period of fiscal 2015. The \$1.0 million increase from fiscal 2015 was the net result of increased net sales, an increase in gross profit and an increase in gross profit as a percentage of net sales, and increased selling and administrative expenses.

Technology Segment

<i>(In thousands)</i>	Three Months Ended	
	December 31 2015	2014
Net Sales	\$4,052	\$4,650
Gross Profit	\$2,088	\$1,554
Operating Income	\$993	\$499

Technology Segment net sales of \$4,052,000 in the second quarter of fiscal 2016 decreased \$0.6 million or 12.9% from fiscal 2015 same period net sales of \$4,650,000. The \$0.6 million decrease in Technology Segment net sales is primarily the net result of a \$0.8 million decrease in sales to the transportation market, a \$0.1 million increase in sales to the telecommunication market, a \$0.3 million decrease in sales to medical market, a \$0.1 million increase in sales to the sports market, and a \$0.3 million increase in sales to various other markets. While the net customer sales decreased, the Technology Segment inter-segment sales increased \$1.3 million or 16.4%. The increase in inter-segment sales is the direct result of the increase in net sales of light fixtures having solid-state LED technology along with light fixtures with integrated controls. The Technology Segment's intercompany support of electronic circuit boards and lighting control systems to the Lighting Segment is core to the strategic growth of the Company.

Gross profit of \$2,088,000 in the second quarter of fiscal 2016 increased \$0.5 million or 34.4% from the same period in fiscal 2015, and increased from 12.6% to 16.1% as a percentage of net sales (customer plus inter-segment net sales). The \$0.5 million increase in gross profit is due to the net effect of decreased customer net sales more than offset by increased inter-segment sales, and decreased employee compensation and benefit expense (\$0.1 million).

Selling and administrative expenses of \$1,095,000 in the second quarter of fiscal 2016 increased 3.8% from fiscal 2015 selling and administrative expenses of \$1,055,000. A decrease in research and development expense of \$0.1 million was more than offset by an increase in employee compensation and benefit expense of \$0.2 million.

The Technology Segment second quarter fiscal 2016 operating income of \$993,000 increased \$0.5 million or 99.0% from operating income of \$499,000 in the same period of fiscal 2015. The \$0.5 million increase in operating income was primarily the net result of decreased customer net sales more than offset by increased inter-segment sales along with a slight increase in selling and administrative expenses.

Corporate and Eliminations

<i>(In thousands)</i>	Three Months Ended	
	December 31 2015	2014
Gross Profit (Loss)	\$(38)	\$81
Operating Income (Loss)	\$(2,830)	\$(3,430)

The gross profit (loss) relates to the change in the intercompany profit in inventory elimination.

Administrative expenses of \$2,792,000 in the second quarter of fiscal 2016 decreased \$0.7 million or 20.5% from the same period of the prior year. The \$0.7 million decrease in expense is primarily the result of decreased employee compensation and benefit expense (\$0.4 million), a decrease in legal fee expense (\$0.2 million), decreased outside service expense (\$0.2 million), an increase in research and development costs (\$0.4 million), an increase in telephone expense (\$0.1 million), and an increase in corporate shared services allocated to the reportable segments (\$0.5 million).

Consolidated Results

The Company reported net interest income of \$8,000 in the second quarter of fiscal 2016 as compared to net interest expense of \$6,000 in the same period of fiscal 2015. Commitment fees related to the unused portions of the Company's lines of credit and interest income on invested cash are included in both fiscal years. The change from net interest expense in the second quarter of fiscal year 2015 to net interest income in the second quarter of fiscal 2016 is directly related to the increase in invested cash.

The \$1,606,000 income tax expense in the second quarter of fiscal 2016 represents a consolidated effective tax rate of 32.5%. This is the net result of an income tax rate of 34.5% influenced by certain permanent book-tax differences, a \$111,000 tax benefit related to the retroactive reinstatement of the R&D tax credit, and by a benefit related to uncertain income tax positions. The \$630,000 income tax expense in the second quarter of fiscal 2015 represents a consolidated effective tax rate of 28.4%. This is the net result of a year-to-date income tax rate of 35.4% for the Company's U.S. operations influenced by certain permanent book-tax differences that were significant relative to the amount of taxable income, a valuation reserve against New York State tax credits, by a benefit related to uncertain income tax positions, and a \$136,000 tax benefit related to the retroactive reinstatement of the R&D tax credit.

The Company reported net income of \$3,782,000 in the second quarter of fiscal 2016 as compared to net income of \$1,588,000 in the same period of the prior year. The change in net income is primarily the net result of increased gross profit on similar sales, a small increase in selling and administrative expense, and a higher effective tax rate in fiscal 2016 compared to fiscal 2015. Diluted earnings per share of \$0.15 were reported in the second quarter of fiscal 2016 as compared to diluted earnings per share of \$0.06 in the same period of fiscal 2015. The weighted average common shares outstanding for purposes of computing diluted earnings per share in the second quarter of fiscal 2016 were 25,624,000 shares as compared to 24,507,000 shares in the same period last year.

SIX MONTHS ENDED DECEMBER 31, 2015 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2014**Lighting Segment**

	Six Months Ended	
<i>(In thousands)</i>	December 31	
	2015	2014
Net Sales	\$ 118,676	\$ 115,517
Gross Profit	\$ 31,341	\$ 28,818
Operating Income	\$ 10,864	\$ 8,317

Lighting Segment net sales of \$118,676,000 in the first half of fiscal 2016 increased 2.7% from fiscal 2015 same period net sales of \$115,517,000. The Lighting Segment's net sales of light fixtures having solid-state LED technology totaled \$79.0 million in the first half of fiscal 2016, representing an 18.5% increase from first half fiscal 2015 net sales of solid-state LED light fixtures of \$66.7 million. Net sales of light fixtures having solid-state LED technology accounted for 63.3% of total Lighting Segment net sales. There was a reduction in the Company's traditional lighting sales (metal halide and fluorescent light sources) from fiscal 2015 to fiscal 2016 as customers converted from traditional lighting to light fixtures having solid-state LED technology.

Gross profit of \$31,341,000 in the first half of fiscal 2016 increased \$2.5 million or 8.8% from the same period of fiscal 2015, and increased from 24.6% to 26.1% as a percentage of Lighting Segment net sales (customer plus inter-segment net sales). The Company was able to leverage its sales growth with a larger percentage growth in gross profit compared to sales growth. The increase in amount of gross profit is due to the net effect of increased net sales, the improved procurement of material, competitive pricing pressures, and improved manufacturing efficiencies as a result of the Company's lean initiatives. The Company has also taken a more strategic approach with its customer base by pursuing more profitable programs. Also contributing to the change in gross profit is increased freight expense, increased employee compensation and benefits expense (\$0.7 million), increased warranty costs (\$0.7 million), increased repairs and maintenance expense (\$0.1 million), and decreased outside service expense (\$0.2 million).

Selling and administrative expenses of \$20,477,000 in the first half of fiscal 2016 were comparable to selling and administrative expenses for the same period of fiscal 2015 primarily as the net result of decreased employee compensation and benefit expense (\$0.1 million), increased travel expense (\$0.2 million), decreased convention and trade show expense (\$0.1 million), decreased outside service expense (\$0.1 million), increased sales commission expense (\$0.4 million), decreased research and development expense (\$1.1 million), and an increase in corporate shared service costs (\$0.9 million).

Lighting Segment first half fiscal 2016 operating income of \$10,864,000 increased \$2.5 million or 30.6% from operating income of \$8,317,000 in the same period of fiscal 2015. This increase of \$2.5 million was the net result of increased net sales, an increase in gross profit, and an increase in the gross margin as a percentage of sales.

Graphics Segment

	Six Months Ended	
<i>(In thousands)</i>	December 31	
	2015	2014
Net Sales	\$42,787	\$36,293
Gross Profit	\$11,556	\$6,756
Operating Income	\$4,196	\$1,118

Graphics Segment net sales of \$42,787,000 in the first half of fiscal 2016 increased 17.9% from fiscal 2015 same period net sales of \$36,293,000. The \$6.5 million increase in Graphics Segment net sales is primarily the net result of image conversion programs and sales to several petroleum / convenience store customers (\$9.2 million net increase), one grocery retailer (\$0.9 million increase), one national drug retailer (\$0.1 million decrease), several quick-service restaurant chains (\$2.1 million net decrease), two commercial market customers (\$0.4 million net decrease), one banking customer (\$0.3 million decrease), several retail customers (\$0.1 million decrease), and changes in volume or completion of several other graphics programs (\$0.6 million net decrease). The Graphics Segment net sales of graphic identification products that contain solid-state LED light sources and LED lighting for signage totaled \$1.7 million in the first half of fiscal 2016, representing a 107% increase from first half fiscal 2015 net sales of \$0.8 million.

Gross profit of \$11,556,000 in the first half of fiscal 2016 increased \$4.8 million or 71.0% from the same period in fiscal 2015, and increased from 18.5% to 26.4% as a percentage of Graphics Segment net sales (customer plus inter-segment net sales). The increase in the amount of gross profit is due to the net effect of increased net sales, a large improvement in gross profit as a percentage of sales, lower margins on installation sales, increased freight expense, increased outside service expense (\$0.1 million), increased customer relations expense (\$0.1 million), decreased depreciation expense (\$0.1 million), and increased compensation and benefit expense (\$0.6 million).

Selling and administrative expenses of \$7,360,000 in the first half of fiscal 2016 increased \$1.4 million or 23.1% from the same period of fiscal 2015 primarily as a result of increased compensation and benefit expense (\$1.3 million). In fiscal 2015, the Graphics Segment recorded a gain on the sale of one of its facilities in Woonsocket, Rhode Island of \$343,000, with no comparable event in fiscal 2016.

Graphics Segment first half fiscal 2016 operating income of \$4,196,000 increased \$3.1 million or 275% from the same period of fiscal 2015 and is the net result of increases net sales, increased gross profit as a percentage of net sales, increased selling and administrative expenses, and a gain on the sale of a facility in fiscal 2015 with no corresponding event in fiscal 2016.

Technology Segment

<i>(In thousands)</i>	Six Months	
	Ended	
	December 31	
	2015	2014
Net Sales	\$9,149	\$11,330
Gross Profit	\$4,474	\$3,558
Operating Income	\$2,333	\$1,131

Technology Segment net sales of \$9,149,000 in the first half of fiscal 2016 decreased \$2.2 million or 19.3% from fiscal 2015 same period net sales of \$11,330,000. The \$2.2 million decrease in Technology Segment net sales is primarily the net result of a \$0.5 million decrease in sales to the medical market, a \$2.0 million decrease in sales to the transportation market, a \$0.3 million increase in sales to original equipment manufacturers, a \$0.1 million increase in sales to the telecommunication market, a \$0.1 million decrease in sales to the sports market, and a \$0.1 million increase in sales to various other markets. While net customer sales decreased, Technology Segment inter-segment sales increased \$3.4 million or 22.5%. The increase in inter-segment sales is the direct result of the increase in net sales of light fixtures having solid-state LED technology and light fixtures with integrated controls. The Technology Segment's intercompany support of electronic circuit boards and lighting control systems to the Lighting Segment is core to the strategic growth of the Company.

Gross profit of \$4,474,000 in the first half of fiscal 2016 increased \$0.9 million or 25.7% from the same period of fiscal 2015, and increased from 13.5% to 16.3% as a percentage of Technology Segment net sales (customer plus inter-segment net sales). The \$0.9 million increase in amount of gross profit is due to the net effect of decreased customer net sales more than offset by increased inter-segment sales, and decreased employee compensation and benefits expense (\$0.4 million).

Selling and administrative expenses of \$2,141,000 in the first half of fiscal 2016 decreased \$286,000 or 11.8% from the same period of fiscal 2015 primarily as the result of an increase in employee compensation and benefit expense (\$0.2 million) and a decrease in research and development expense (\$0.4 million).

Technology Segment first half fiscal 2016 operating income of \$2,333,000 increased \$1.2 million or 106% from operating income of \$1,131,000 in the same period of fiscal 2015. The increase of \$1.2 million was the net result of decreased net customer sales more than offset by increased inter-segment sales, increased gross profit from the net increase in total net sales (customer and intersegment net sales), and decreased selling and administrative expenses.

All Other Category

	Six Months Ended	
<i>(In thousands)</i>		
	December 31	
	2015	2014
Net Sales	\$--	\$41
Gross Profit	\$--	\$21
Operating (Loss)	\$--	\$(183)

Due to the sale of Saco on September 30, 2014, there is no longer comparable data for the All Other Category.

Corporate and Eliminations

	Six Months Ended	
<i>(In thousands)</i>		
	December 31	
	2015	2014
Gross Profit (Loss)	\$(96)	\$10
Operating (Loss)	\$(6,250)	\$(5,625)

The gross profit (loss) relates to the change in the intercompany profit in inventory elimination.

Administrative expenses of \$6,154,000 in the first half of fiscal 2016 increased \$1.1 million or 21.4% from the same period of the prior year. The increase in expense is primarily the net result of increased employee compensation and benefit expense (\$1.3 million), a decrease in legal fee expense (\$0.2 million), increased outside service expense (\$0.1 million), increased depreciation expense (\$0.1 million), increased research and development expense (\$0.8 million), and an increase in corporate shared service costs allocated to the segments (\$1.2 million). The increase in employee compensation and benefit expense is primarily the result of an increase in salary expense related to the strengthening of the corporate staff and an increase in stock compensation expense. Performance based stock options and restricted stock awards, were granted and awarded, respectively, in the first half of fiscal 2016 with no corresponding grant of performance based stock options or award of restricted stock awards in the first half of fiscal 2015. The increase in research and development spending is the result of the creation of a corporate research and development department with its sole purpose to develop leading edge products utilizing: 1) the latest energy saving controls; 2) LED light source technology; 3) the “internet of things” connectivity; and 4) beacons and new display technology to enhance the retail experience. In fiscal 2015, the Company recognized a \$565,000 loss on the sale of its Montreal subsidiary, LSI

Saco, with no corresponding event in fiscal 2016.

Consolidated Results

The Company reported net interest income of \$8,000 in the first half of fiscal 2016 as compared to net interest expense of \$14,000 in the same period of fiscal 2015. Commitment fees related to the unused portions of the Company's lines of credit and interest income on invested cash are included in both fiscal years. The change from net interest expense in the second quarter of fiscal year 2015 to net interest income in the second quarter of fiscal 2016 is directly related to the increase in invested cash.

The \$3,619,000 income tax expense in the first half of fiscal 2016 represents a consolidated effective tax rate of 32.5%. This is the net result of an income tax rate of 34.5% influenced by certain permanent book-tax differences, an \$111,000 tax benefit related to the retroactive reinstatement of the R&D tax credit, and by a benefit related to uncertain income tax positions. The \$1,629,000 income tax expense in the first half of fiscal 2015 represents a consolidated effective tax rate of 34.3%. This is the net result of an income tax rate of 35.4% for the Company's U.S. operations, influenced by certain permanent book-tax differences that were significant relative to the amount of taxable income, by certain U.S. federal tax credits, by a benefit related to uncertain income tax positions, by a full valuation reserve on the Company's Canadian tax position and certain Canadian tax credits both occurring in the first quarter, and a \$136,000 tax benefit related to the retroactive reinstatement of the R&D tax credit

The Company reported net income of \$7,532,000 in the first half of fiscal 2016 compared to net income of \$3,115,000 in the same period of the prior year. The \$4.4 million increase in net income is primarily the net result of increased net sales, increased gross profit, increased operating expenses, the gain on the sale of a facility more than offset by the loss on the sale of a subsidiary in fiscal 2015 with no comparable events in fiscal 2016, and increased income tax expense. Diluted earnings per share of \$0.30 was reported in the first half of fiscal 2016 as compared to diluted earnings per share of \$0.13 in the same period of fiscal 2015. The weighted average common shares outstanding for purposes of computing diluted earnings per share in the first half of fiscal 2016 was 25,405,000 shares as compared to 24,506,000 shares in the same period last year.

Liquidity and Capital Resources

The Company considers its level of cash on hand, borrowing capacity, current ratio and working capital levels to be its most important measures of short-term liquidity. For long-term liquidity indicators, the Company believes its ratio of long-term debt to equity and its historical levels of net cash flows from operating activities to be the most important measures.

At December 31, 2015, the Company had working capital of \$93.7 million, compared to \$84.0 million at June 30, 2015. The ratio of current assets to current liabilities was 3.91 to 1 as compared to a ratio of 3.28 to 1 at June 30, 2015. The \$9.7 million increase in working capital from June 30, 2015 to December 31, 2015 was primarily related to the net effect of increased cash and cash equivalents (\$2.4 million), an increase in net inventory (\$2.8 million), an increase in refundable income taxes (\$0.5 million), and decreased accounts payable (\$5.9 million), partially offset by an increase in accrued expenses (\$1.2 million), a decrease in net accounts receivable (\$0.5 million), and a decrease in other current assets (\$0.1 million). The Company has a strategy of aggressively managing working capital, including reduction of the accounts receivable days sales outstanding (DSO) and reduction of inventory levels, without reducing service to its customers.

The Company provided \$5.5 million of cash from operating activities in the first half of fiscal 2016 as compared to a generation of cash of \$10.7 million in the same period of the prior year. This \$5.2 million decrease in net cash flows from operating activities is primarily the net result of an increase rather than a decrease in inventory (unfavorable change of \$5.2 million), an increase rather than a decrease in refundable income tax (unfavorable change of \$2.3 million), a smaller decrease in customer prepayments (favorable change of \$0.6 million), a smaller increase in accrued expenses and other (unfavorable change of \$0.9 million), a larger decrease in accounts payable (unfavorable change of \$5.2), a decrease rather than an increase in accounts receivable (favorable change of \$2.4 million), an increase in net income (favorable change of \$4.4 million), an increase in stock option expense (favorable change of \$1.3 million), a loss on the sale of a subsidiary in fiscal 2015 with no comparable event in fiscal 2016 (unfavorable change of \$0.6 million), a larger increase in the deferred compensation liability (favorable change of \$0.2 million), a greater increase in net deferred tax assets (unfavorable change of \$0.3 million), and a decrease in the gain recognized on the sale of fixed assets, which includes the sale of a facility (favorable change of \$0.3 million).

Net accounts receivable were \$43.1 million and \$43.7 million at December 31, 2015 and June 30, 2015, respectively. DSO increased to 50 days at December 31, 2015 from 49 days at June 30, 2015. The Company believes that its receivables are ultimately collectable or recoverable, net of certain reserves, and that aggregate allowances for doubtful accounts are adequate.

Net inventories of \$45.9 million at December 31, 2015 increased \$2.8 million from June 30, 2015 levels. Based on a strategy of balancing inventory reductions with customer service and the timing of shipments, net inventory increases occurred in the first half of fiscal 2016 in the Lighting Segment of approximately \$0.4 million, in the Graphics Segment of approximately \$1.9 million, and in the Technology Segment of approximately \$0.7 million.

Cash generated from operations and borrowing capacity under the Company's line of credit facility is the Company's primary source of liquidity. The Company has an unsecured \$30 million revolving line of credit with its bank, with all of the \$30 million of the credit line available as of January 29, 2016. This line of credit is a \$30 million three year committed credit facility expiring in the third quarter of fiscal 2018. The Company believes that its \$30 million line of credit plus cash flows from operating activities are adequate for the Company's fiscal 2016 operational and capital expenditure needs. The Company is in compliance with all of its loan covenants.

The Company used cash of \$3.4 million related to investing activities in the first half of fiscal 2016 as compared to a source of less than \$0.1 million in the same period of the prior year, resulting in an unfavorable change of \$3.4 million. Capital expenditures for the first half of fiscal 2016 increased \$1.0 million to \$3.4 million from the same period in fiscal 2015. The largest components of the first half of fiscal 2016 capital expenditures are tooling and equipment related to the Company's Lighting and Graphics Segments. The Company recorded proceeds from the sale of one of its Woonsocket, Rhode Island facilities of \$950,000 in the first half of fiscal 2015 with no proceeds from the sale of fixed assets in the first half of fiscal 2016. The Company also recorded net proceeds from the sale of its subsidiary in Montreal of \$1.5 million in the first half of fiscal 2015 with no comparable transaction in the first half of fiscal 2016. The combination of the proceeds from the sales of the subsidiary and the proceeds from the sale of the Woonsocket facility approximated the fiscal 2015 capital expenditures.

The Company generated \$0.2 million of cash related to financing activities in the first half of fiscal 2016 compared to a use of cash of \$1.7 million in the first half of fiscal 2015. The favorable change in cash flow was primarily the result of a \$2.1 million increase in the exercise of stock options in the first half of fiscal 2016 compared to the exercises of stock options in first half of fiscal 2015.

The Company has, or could have, on its balance sheet financial instruments consisting primarily of cash and cash equivalents, short-term investments, revolving lines of credit, and long-term debt. The fair value of these financial instruments approximates carrying value because of their short-term maturity and/or variable, market-driven interest rates.

Off-Balance Sheet Arrangements

The Company has no financial instruments with off-balance sheet risk and has no off-balance sheet arrangements.

Cash Dividends

In January 2016, the Board of Directors declared a regular quarterly cash dividend of \$0.05 per share payable February 16, 2016 to shareholders of record as of February 8, 2016. The indicated annual cash dividend rate for fiscal 2016 is \$0.20 per share, up from the previous \$0.16 per share indicated annual rate, representing an increase of 25%. The Board of Directors has adopted a policy regarding dividends which indicates that dividends will be determined by the Board of Directors in its discretion based upon its evaluation of earnings, cash flow requirements, financial condition, debt levels, stock repurchases, future business developments and opportunities, and other factors deemed relevant.

Critical Accounting Policies and Estimates

The Company is required to make estimates and judgments in the preparation of its financial statements that affect the reported amounts of assets, liabilities, revenues and expenses, and related footnote disclosures. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The Company continually reviews these estimates and their underlying assumptions to ensure they remain appropriate. The Company believes the items discussed below are among its most significant accounting policies

because they utilize estimates about the effect of matters that are inherently uncertain and therefore are based on management's judgment. Significant changes in the estimates or assumptions related to any of the following critical accounting policies could possibly have a material impact on the financial statements.

Revenue Recognition

Revenue is recognized when title to goods and risk of loss have passed to the customer, there is persuasive evidence of a purchase arrangement, delivery has occurred or services have been rendered, and collectability is reasonably assured. Revenue is typically recognized at time of shipment. In certain arrangements with customers, as is the case with the sale of some of our solid-state LED video screens, revenue is recognized upon customer acceptance of the video screen at the job site. Sales are recorded net of estimated returns, rebates and discounts. Amounts received from customers prior to the recognition of revenue are accounted for as customer pre-payments and are included in accrued expenses.

The Company has five sources of revenue: revenue from product sales; revenue from installation of products; service revenue generated from providing integrated design, project and construction management, site engineering and site permitting; revenue from the management of media content and digital hardware related to active digital signage; and revenue from shipping and handling.

Product revenue is recognized on product-only orders upon passing of title and risk of loss, generally at time of shipment. However, product revenue related to orders where the customer requires the Company to install the product is recognized when the product is installed. The company provides product warranties and certain post-shipment service, support and maintenance of certain solid state LED video screens and billboards.

Installation revenue is recognized when the products have been fully installed. The Company is not always responsible for installation of products it sells and has no post-installation responsibilities, other than normal warranties.

Service revenue from integrated design, project and construction management, and site permitting is recognized when all products at each customer site have been installed.

Revenue from the management of media content and digital hardware related to active digital signage is recognized evenly over the service period with the customer. Media content service periods with most customers range from 1 month to 1 year.

Shipping and handling revenue coincides with the recognition of revenue from the sale of the product.

In situations where the Company is responsible for re-imaging programs with multiple sites, each site is viewed as a separate unit of accounting and has stand-alone value to the customer. Revenue is recognized upon the Company's complete performance at the location, which may include a site survey, graphics products, lighting products, and installation of products. The selling price assigned to each site is based upon an agreed upon price between the Company and its customer and reflects the estimated selling price for that site relative to the selling price for sites with similar image requirements.

The Company also evaluates the appropriateness of revenue recognition in accordance with the accounting standard on software revenue recognition. Our solid-state LED video screens, billboards and active digital signage contain software elements which the Company has determined are incidental.

Income Taxes

The Company accounts for income taxes in accordance with the accounting guidance for income taxes. Accordingly, deferred income taxes are provided on items that are reported as either income or expense in different time periods for financial reporting purposes than they are for income tax purposes. Deferred income tax assets and liabilities are reported on the Company's balance sheet. Significant management judgment is required in developing the Company's income tax provision, including the estimation of taxable income and the effective income tax rates in the multiple taxing jurisdictions in which the Company operates, the estimation of the liability for uncertain income tax positions, the determination of deferred tax assets and liabilities, and any valuation allowances that might be required against deferred tax assets.

The Company operates in multiple taxing jurisdictions and is subject to audit in these jurisdictions. The Internal Revenue Service and other tax authorities routinely review the Company's tax returns. These audits can involve complex issues which may require an extended period of time to resolve. In management's opinion, adequate

provision has been made for potential adjustments arising from these examinations.

In September 2013, the Internal Revenue Service issued Treasury Decision 9636, which enacted final tax regulations regarding the capitalization and expensing of amounts paid to acquire, produce, or improve tangible property. The regulations also include guidance regarding the retirement of depreciable property. The regulations were effective in taxable years beginning on or after January 1, 2014, or the Company's fiscal year 2015. The impact to the Company's financial statements was immaterial.

The Company is recording estimated interest and penalties related to potential underpayment of income taxes as a component of tax expense in the Condensed Consolidated Statements of Operations. The reserve for uncertain tax positions is not expected to change significantly in the next twelve months.

Asset Impairment

Carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with the accounting standard on goodwill and intangible assets. The Company may first assess qualitative factors in order to determine if goodwill is impaired. If through the qualitative assessment it is determined that it is more likely than not that goodwill is not impaired, no further testing is required. If it is determined that it is more likely than not that goodwill is impaired, or if the Company elects not to first assess qualitative factors, the Company's impairment testing continues with the estimation of the fair value of goodwill and indefinite-lived intangible assets using a combination of a market approach and an income (discounted cash flow) approach, at the reporting unit level, that requires significant management judgment with respect to revenue and expense growth rates, changes in working capital and the selection and use of an appropriate discount rate. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease an

impairment charge. Company management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as adverse business conditions, economic factors and technological change or competitive activities may signal that an asset has become impaired.

Carrying values for long-lived tangible assets and definite-lived intangible assets, excluding goodwill and indefinite-lived intangible assets, are reviewed for possible impairment as circumstances warrant. Impairment reviews are conducted at the judgment of Company management when it believes that a change in circumstances in the business or external factors warrants a review. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the forecast for a product, changes in technology or in the way an asset is being used, a history of negative operating cash flow, or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. The Company's initial impairment review to determine if a potential impairment charge is required is based on an undiscounted cash flow analysis at the lowest level for which identifiable cash flows exist. The analysis requires judgment with respect to changes in technology, the continued success of product lines and future volume, revenue and expense growth rates, and discount rates.

Credit and Collections

The Company maintains allowances for doubtful accounts receivable for probable estimated losses resulting from either customer disputes or the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against income. The Company determines its allowance for doubtful accounts by first considering all known collectability problems of customers' accounts, and then applying certain percentages against the various aging categories based on the due date of the remaining receivables. The resulting allowance for doubtful accounts receivable is an estimate based upon the Company's knowledge of its business and customer base, and historical trends. The amount ultimately not collected may differ from the reserve established, particularly in the case where percentages are applied against aging categories. In all cases, it is management's goal to carry a reserve against the Company's accounts receivable which is adequate based upon the information available at that time so that net accounts receivable is properly stated. The Company also establishes allowances, at the time revenue is recognized, for returns and allowances, discounts, pricing and other possible customer deductions. These allowances are based upon historical trends.

Warranty Reserves

The Company maintains a warranty reserve which is reflective of its limited warranty policy. The warranty reserve covers the estimated future costs to repair or replace defective product or installation services, whether the product is returned, scrapped or repaired in the field. The warranty reserve is first determined based upon known claims or issues, and then by the application of a specific percentage of sales to cover general claims. The percentage applied to sales to calculate general claims is based upon historical claims as a percentage of sales. Management addresses the

adequacy of its warranty reserves on a quarterly basis to ensure the reserve is accurate based upon the most current information.

Inventory Reserves

The Company maintains an inventory reserve for probable obsolescence of its inventory. The Company first determines its obsolete inventory reserve by considering specific known obsolete items, and then by applying certain percentages to specific inventory categories based upon inventory turns. The Company uses various tools, in addition to inventory turns, to identify which inventory items have the potential to become obsolete. Significant judgment is used to establish obsolescence reserves and management adjusts these reserves as more information becomes available about the ultimate disposition of the inventory item. Management values inventory at lower of cost or market.

New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued ASU 2014-09, "Revenue from Contracts with Customers." This amended guidance supersedes and replaces all existing U.S. GAAP revenue recognition guidance. The guidance established a new revenue recognition model, changes the basis for deciding when revenue is recognized over a point in time, provides new and more detailed guidance on specific revenue topics, and expands and improves disclosures about revenue. The amended guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2017, or the Company's fiscal year 2019. The Company has not yet determined the impact the amended guidance will have on its financial statements.

In July 2015, the Financial Accounting Standards Board issued ASU 2015-11, "Simplifying the Measurement of Inventory." The amended guidance requires an entity to measure in scope inventory at lower of cost and net realizable value. The amended guidance is effective for fiscal years beginning after December 15, 2016, or the Company's fiscal year 2018, with early adoption permitted.

In December 2015, the Financial Accounting Standards Board issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes.” The amended guidance eliminates the current requirements for organizations to present deferred tax liabilities and assets as current and noncurrent. Instead, all deferred tax assets and liabilities will be classified as noncurrent. The amended guidance is effective for financial statements issued for fiscal years and interim periods within those years, beginning after December 15, 2016, or the Company’s fiscal year 2018. Adoption of this standard will result in the deferred tax asset and deferred tax liability being classified as non-current.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company’s exposure to market risk since June 30, 2015. Additional information can be found in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, which appears on page 14 of the Annual Report on Form 10-K for the fiscal year ended June 30, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We conducted, under the supervision of our management, including the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2015, our disclosure controls and procedures were effective. Management believes that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q are fairly presented in all material respects in accordance with GAAP for interim financial statements, and the Company’s Chief Executive Officer and Chief Financial Officer have certified that, based

on their knowledge, the condensed consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for each of the periods presented in this report.

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that control objectives are met. Because of inherent limitations in all control systems, no evaluation of controls can provide assurance that all control issues and instances of fraud, if any, within a company will be detected. Additionally, controls can be circumvented by individuals, by collusion of two or more people, or by management override. Over time, controls can become inadequate because of changes in conditions or the degree of compliance may deteriorate. Further, the design of any system of controls is based in part upon assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all future conditions. Because of the inherent limitations in any cost-effective control system, misstatements due to errors or fraud may occur and not be detected.

Changes in Internal Control

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The Company does not purchase into treasury its own common shares for general purposes. However, the Company does purchase its own common shares, through a Rabbi Trust, in connection with investments of (c) employee/participants of the LSI Industries Inc. Non-Qualified Deferred Compensation Plan. Purchases of Company common shares for this Plan in the first quarter of fiscal 2016 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/15 to 10/31/15	--	n/a	--	(1)
11/1/15 to 11/30/15	3,046	\$11.54	3,046	(1)
12/1/15 to 12/31/15	1,101	\$12.55	1,101	(1)
Total	4,147	\$11.81	4,147	(1)

(1) All acquisitions of shares reflected above have been made in connection with the Company's Non-Qualified Deferred Compensation Plan, which has been authorized for 575,000 shares of the Company to be held in and distributed by the Plan. At December 31, 2015, the Plan held 250,075 common shares of the Company and had distributed 251,582 common shares.

ITEM 6. EXHIBITS

Exhibits:

10.1 Amended and Restated 2012 Stock Incentive Plan as of November 19, 2015

31.1 Certification of Principal Executive Officer required by Rule 13a-14(a)

31.2 Certification of Principal Financial Officer required by Rule 13a-14(a)

32.1 Section 1350 Certification of Principal Executive Officer

32.2 Section 1350 Certification of Principal Financial Officer

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LSI Industries Inc.

By: /s/ Dennis W. Wells
Dennis W. Wells
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Ronald S. Stowell
Ronald S. Stowell
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

February 4, 2016