

VERSAR INC
Form 10-K
September 23, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended
June 27, 2008**

**Commission File
No. 1-9309**

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
Incorporation or organization)

54-0852979
(I.R.S. employer identification no.)

6850 Versar Center, Springfield, Virginia
(Address of principal executive offices)

22151
(Zip code)

(703) 750-3000

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$.01 par value
(Title of Class)

American Stock Exchange
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

company)

The aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2007 was approximately \$50,936,759.

The number of shares of Common Stock outstanding as of September 5, 2008 was 9,083,835.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed with the Securities and Exchange Commission with respect to the 2008 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

PART I

Item 1. Business

Forward-Looking Statements

This report contains certain forward-looking statements which are based on current expectations. Actual results may differ materially. The forward-looking statements include, without limitation, those regarding the continued award of future work or task orders from government and private clients, cost controls and reductions, the expected resolution of delays in billing of certain projects, and the possible impact of current and future claims against the Company based upon negligence and other theories of liability. Forward-looking statements involve numerous risks and uncertainties that could cause actual results to differ materially, including, but not limited to, the possibility that the demand for the Company's services may decline as a result of possible changes in general and industry specific economic conditions and the effects of competitive services and pricing; the possibility that the Company will not be able to perform work within budget or contractual limitations; one or more current or future claims made against the Company may result in substantial liabilities; the possibility that the Company will not be able to attract and retain key professional employees; changes to or failure of the Federal government to fund certain programs in which the Company participates; delays in project funding; and such other risks and uncertainties set forth in this report and in other reports and other documents filed by the Company from time to time with the Securities and Exchange Commission.

Business Overview

Versar, Inc., a Delaware corporation organized in 1969 (the Company or Versar), is a professional services firm that provides the government and the private sector with value-added, high quality innovative solutions for infrastructure, facilities management, construction, environmental quality, defense and homeland security needs. Versar operates in four primary business segments: (1) Program Management, (2) Compliance and Environmental Programs, (3) Professional Services, and (4) National Security.

In fiscal year 2008, Versar completed over \$62 million of work internationally for both the U.S. Air Force and U.S. Army providing Title II engineering services, personal services, and construction management in Iraq, Afghanistan, Kuwait, and the United Arab Emirates. Our Title II work consists of providing quality assurance and quality control to ensure construction projects for the Air Force are being constructed in accordance with building codes and requirements. This work has solidified the Company's baseline business internationally. In order to maintain and expand this business base, the Company is pursuing similar business opportunities in the Middle East and the Pacific Rim, as well as BRAC (Base Realignment and Closure) activities both in the United States and around the world.

In fiscal year 2008, the Company continued its initiative to further increase the Company's project management capabilities as well as address the Federal regulatory requirements for earned value management (EVM) as a federal government contractor. EVM is a program management technique that integrates technical performance requirements, and resource planning, with scheduling while taking risk into consideration. EVM allows for better and more effective management decision making to address adverse impacts to project work. Currently, approximately 8% of the Company's professional workforce is certified as a PMP (Project Management Professional) through the Project Management Institute with several other individuals currently in the process of being certified. The Company clearly sees the benefit of investing in this program because it is the backbone of the Company's business of managing projects. The PMP certification process provides a clear, structured and measurable approach along with a specific body of knowledge we use as a standard to be a project manager for Versar. In addition, the Company established a PMO (Project Management Office) in fiscal year 2008 to provide an established structure and resources to assist the Company's PMPs.

Program Management Business Segment: The Program Management business segment is the largest component of Versar's business base. During fiscal year 2008, the Program Management business segment expanded further through the increase of work available in Iraq and Afghanistan. In addition, this segment's operations expanded into Kuwait and the United Arab Emirates following the same construction management business model utilized in Iraq.

The Program Management business segment manages several large programs as a part of our work with the Air Force and the Army. These programs include our Air Force Title II work to support the rebuilding efforts in Iraq, Afghanistan, and Kuwait, our personal services support contract with the U.S. Corps of Engineers to manage personnel who provide quality control on Army projects in Iraq, and renovation construction work in the United States. In fiscal year 2008, the Company began operations in the rapidly expanding United Arab Emirates primarily to support commercial construction efforts for private clients to provide full service construction management services.

Versar's support for the Air Force Title II effort continued to grow in fiscal year 2008 resulting in approximately \$41 million of revenues during the fiscal year. This is a direct result of the Air Force's commitment to a quality construction product that can be held to international construction standards. We anticipate that our services will be required through fiscal year 2009, but may be reduced in Iraq and increased in Afghanistan with the shifting of funds from the Air Force to the Army and may also be impacted by political pressure in future years.

In April 2006, Versar was awarded a contract to provide personal services support to the U.S. Army Corps of Engineers (USACE). During fiscal year 2007, the base contract grew to approximately \$15 million to serve the Army's growing needs. In April 2008, the second option year on the contract was renewed and the contract has now expanded to \$24 million. The Company anticipates that there will be a follow-on procurement to replace this contract. The Company anticipates it will pursue the follow-on contract but cannot estimate the funding level due to political uncertainties and circumstances beyond the Company's control.

Renovation work in the United States comprised approximately \$6 million of Versar's revenues in fiscal year 2008. Such services were primarily provided for the Department of Defense School system to renovate several school facilities by updating their roofing, mechanical and electrical systems to current standards. This work is cyclical in nature depending on federal funding, which can be delayed or cancelled depending on budgets and federal financial requirements. In fiscal year 2008, the Company along with its partner Johnson Controls Federal was awarded a construction and design build services contract from Air Force Civil Engineering Support Agency (AFCEA) to be performed around the world. The Company has entered into a limited liability corporation with Johnson Controls Federal Systems to pursue this work. We anticipate this contract, along with prior infrastructure contract awards to support Ft. Lee's expansion, will provide a strong baseline of business for the future. The Company will continue to pursue other business opportunities to further expand and develop this line of work.

Compliance and Environmental Programs Business Segment: Versar provides support for regulatory compliance programs involving air, water, chemical and transportation industries. The Company supports the EPA providing technical risk assessments for pollution prevention. Furthermore, the Company provides support to the U.S. Army Corps of Engineers and several municipal entities to help with environmental compliance, biological assessments, and resource management.

For more than 30 years, Versar has supported the states of Virginia, Maryland, and Delaware as well as the EPA, National Oceanic and Atmospheric Administration (NOAA), and the USACE in the assessment of the ecological health of the Chesapeake Bay. Through our contracts with the Philadelphia and Wilmington Districts of the U.S. Army Corps of Engineers, Versar continues to help evaluate the marine life and how it is impacted by the USACE dredging programs. We also assist several counties in Maryland and Virginia with their watershed programs identifying impaired watersheds and providing cost-effective solutions for their restoration programs.

Federal environmental restoration program revenue slightly increased in fiscal year 2008 even though funds are being reprogrammed to the Iraq war effort. The Air Force continues to be our largest remediation customer, and through our existing Air Force Center for Environmental Excellence (AFCEE) contracts we continue to bid on a significant number of task orders. In fiscal year 2008, Versar continued to perform restoration support services at Vandenberg AFB, Beale AFB, Buckley AFB, and Pueblo, CO. We continue to provide field personnel at Nellis AFB under a 15-year subcontract to CSC Corporation to perform UXO services to clean up the Nellis range. In addition, we provide remediation services to several municipal clients in California and in the Midwest to help restore properties and make them commercially viable once environmental problems have been resolved.

Professional Services Business Segment: Versar provides on-site environmental management and professional services to over 18 DoD installations and industrial facilities. Our onsite professional services are an increasingly attractive alternative as DoD shifts emphasis to its core military mission. Versar's Professional Services business segment has grown to over 100 professional and administrative on-site support staff and is focused on obtaining larger contract opportunities to further expand our client base as we have done with contract wins in fiscal year 2008 for Ft. Lewis and the U.S. Army Mobile District Corps. This segment provides a cost-effective solution to our clients to meet and exceed their requirements.

National Security Business Segment consists primarily of the operations of GEOMET Technologies, LLC (GEOMET). The National Security business segment operates in several defense markets:

Personal Protection Equipment: GEOMET is a leader in developing, testing, and manufacturing personal protection equipment (PPE). In fiscal year 2004, GEOMET announced its Disposable Toxicological Agent Protective System (DTAPS®) Level B coverall chemical/biological protective suits, which are the first in the industry to be certified by the Safety Equipment Institute (SEI) to the National Fire Protection Association (NFPA) 1994, Class 2 standards. This certification, called the NFPA 1994, *Standard on Protective Ensembles for Chemical/Biological Terrorism Incidents*, will help fire and emergency services personnel select the proper personal protective equipment to use when conducting assessment, extrication, rescue, triage, and treatment operations at domestic terrorism incidents involving dual-use industrial chemicals, chemical terrorism agents, or biological terrorism agents. The DTAPS® Level B coverall ensemble is a fully integrated and chemical warfare agent tested protective system including a coverall suit, a reusable chemical splash hood, boots, and breathing system.

Chemical Testing Laboratory: Versar owns and operates the only declared Schedule I chemical agent laboratory in the United States under the Chemical Weapons Convention which is overseen by the Department of Commerce. The laboratory provides cost-effective materials testing services to the U.S. government and to private industries, particularly manufacturers of chemical protective equipment and clothing. Other laboratory services include evaluation of new chemical agent detection instrumentation, chemical agent decontamination and destruction techniques, site remediation/environmental cleanup support, analysis of environmental samples of air, soil, and water, and sludge for the presence of chemical and biological agents and degradation products, and testing of personal protective systems for component survivability.

GEOMET was also selected to be the lead subcontractor, providing nuclear, chemical and biological test and evaluation services to the West Desert Test Center (WDTC) located on the U.S. Army Dugway Proving Ground (DPG), Utah. The prime contract is a cost plus fixed fee contract with a value of \$285 million and a one-year base period of performance along with fourteen options and award terms, making the potential total contract period 15 years. Versar's estimated portion of this contract is \$30 million over the 15 year period of performance. The WDTC test programs include evaluation of munitions, chemical/biological detection and protection devices, testing to determine nuclear, biological, chemical contamination and decontamination survivability of various Department of Defense material and equipment, and a wide range of developmental testing and applied research related to tactics, techniques, and procedures.

See Note B to our Consolidated Financial Statements included herein for further financial information regarding our business segments.

Markets

Versar's services continue to evolve in response to clients' changing needs and our market opportunities are being driven by the customer's changing infrastructure requirements. The Company continues to focus on larger programs for government customers, developing long-term level of effort contracts to stabilize the Company's business base, and on the challenging homeland security market.

The Company believes that terrorism and defense issues are the biggest near-term threats facing the economy, well ahead of government spending and the deficit. Management believes that each business segment has expertise to address the needs raised by these national security issues. Management believes that Versar is well positioned in the defense and national security sectors in the coming years.

The industrial environmental marketplace, in our view, will remain highly competitive, as no major new regulatory requirements are expected to be enacted in the near future. Some of our private sector customers are beginning to return to funding capital expenses for environmental projects. Given the current economic and regulatory situation, we will continue to pursue those opportunities that can be performed profitably.

Success in the federal markets continues to be driven by a cost-effective set of solutions, such as the Guaranteed Fixed Price Remediation Program, outsourcing at the point of need, and relationships with key customers.

Initially, we expected that Base Realignment and Closure (BRAC) funding would occur late in fiscal year 2006. However, due to funding constraints from the war in Iraq, the BRAC funding to revitalize military bases infrastructure work did not start until fiscal year 2008 and will continue into our fiscal year 2009.

Competition

Versar continues to face substantial competition in each market in which we operate and expects this to continue as we diversify our business. Competitors are often larger and have greater financial resources than Versar, which means that we have to be selective in our marketing and sales program efforts. However, we believe that our larger size relative to many of the smaller, niche companies with which we compete is an advantage. We are better able to compete with these smaller companies for certain contracts available only to companies qualifying as a small business under federal regulations because we have greater resources than they do, while we are small enough to continue meeting the small business criteria. Generally, a company with more than 500 employees will not qualify as a small business so our larger competitors are unable to compete with us on these contracts. In addition, there has been major consolidation in the environmental services market, with two brackets of firms emerging the large, diversified firms with a wide range of capabilities, and the smaller, niche firms with limited capability in specific horizontal or vertical markets.

Our market areas of Program Management, Compliance and Environmental Programs, Professional Services, and National Security reflect a mix of business that we believe will be stable and allow for growth, while retaining our core capability. The synthesis of our core capabilities, however, is an important selling feature as customers look for one source to meet their needs. We believe that we are among the few firms that combine environmental health and safety/risk assessment, hard engineering design and construction, and chemical and biological defense capability in one package, and we are actively pursuing customers that require these combined services.

Our pricing structure has been adjusted to ensure that we remain competitive, particularly for outsourcing, where procurement decisions are very price sensitive. Similarly, we are concentrating our marketing efforts on getting the most return on investment, through expanding support for existing customers, developing tasks under existing contracts, and collaborating with firms that need our specialized expertise. We are targeting and identifying specific programs that match our capability.

Versar will also continue to target small business set aside opportunities in the federal marketplace, under the North American Industry Classification System (NAICS) codes that provide opportunities for firms with fewer than 500 employees. We continue to work with customers to make them aware of the benefits of setting aside work under these NAICS codes, and expect that trend to continue. Typically, for large, environmental contracts, at least one of the awards is targeted for a small business, and Versar believes it is well equipped with its depth of expertise to compete in that sector.

Backlog

For Versar, firm backlog is identified as funded backlog, which represents orders for goods and services for which firm contractual commitments have been received. Such contractual commitments may take the form of a signed contract, a written task order under a large contract vehicle, a master contract or other types of written authorization, including change orders to existing written agreements. In the case of contracts with governments or governmental agencies amounts are included in funded backlog when the firm contractual commitment is supported by funding that has been appropriated and authorized for expenditure. Based on past experience, the Company believes that at least 90% of funded backlog will be performed in the succeeding twelve month period.

The Company also reports total contract backlog which includes two components: funded backlog and expected backlog. Expected backlog reflects management's estimate of future revenue from existing written contracts, such as master contracts with large corporations and large federal, state and municipal multi-year contracts for which funding for work or tasks has not yet been authorized in writing by the other contracting party. Versar has a number of large, multi-year (including option periods), multi-million dollar contracts with the federal and state governments. In many cases these contracts are identified as Indefinite Delivery/Indefinite Quantity multi-year contracts. These are unfunded contract vehicles through which the particular government client issues funded work to Versar by written task or work orders. When these task or work orders are issued, the Company then counts the portion covered by the task or work orders as funded backlog.

The amount of expected backlog included in the total contract backlog is not exact or guaranteed; however, it represents what Versar reasonably believes, based upon subjective factors such as past experience with the particular clients, the type of work and present budgetary expectations and information about the clients' needs and other business circumstances, will become funded backlog over the next five to seven years. These estimates are based upon the information in Versar's possession at the time the estimate is made. If management does not accurately assess each of these factors, or if it does not include all of the variables that affect the revenue it will recognize from existing contracts in the estimating process, the potential value of these contracts, and accordingly, reported total contract backlog, will not reflect the actual revenue received from contracts and task orders. As a result, there can be no assurance that Versar will ultimately receive amounts included in total contract backlog that are not included in funded backlog or that total contract backlog includes all revenue that Versar may ultimately receive under contracts existing at any one time. Further, many factors that affect the scheduling of projects could alter the actual timing of revenue on projects included in total contract backlog. There is also the possibility that contracts could be adjusted or cancelled in a manner that would affect the realization of revenues reflected in backlog. Nevertheless, the Company believes the number characterized as total contract backlog is important information for investors, reflecting on the potential future performance of the Company.

While total contract backlog is comprised of total funded backlog and management's estimate of additional amounts to be received under existing contracts, total contract backlog does not represent the full amount of the Company's contract capacity. Each of the contracts with unutilized contract capacity is reviewed individually and, based upon the various subjective factors described above, an estimate is made of the amount of this unutilized capacity Versar expects will become funded backlog in five to seven years. There is no specific formula for these estimates. If sufficient information is not available upon which to base an estimate, or the Company does not have prior experience with the particular client, management may not include any unfunded portion of a contract in total contract backlog until such time as a reasonable estimate of expected future funded orders can be made.

Other companies with similar types of contracts to Versar may not calculate backlog in the same manner as Versar, because their calculations are based on different subjective factors or because they use a different methodology. Therefore, information presented by Versar regarding funded backlog and total contract backlog may not be comparable to similar presentations by others.

As of June 27, 2008, funded backlog for Versar was approximately \$64 million, an increase of 12% compared to approximately \$57 million as of June 29, 2007.

As of June 27, 2008, total contract backlog for Versar, including unfunded expected government task orders, was approximately \$610 million, as compared to approximately \$503 million as of June 29, 2007, an increase of 21%. The increase is due to the award of the SATOC AFCESA contract to the Program Management business segment and the Mobile Army support contract that supports all of the Company's business segments.

Employees

At June 27, 2008, Versar had approximately 443 full-time employees, of which eighty-three percent are engineers, scientists, and other professionals. Seventy-nine percent of the Company's professional employees have a bachelor's degree, twenty percent have a master's degree, and four percent have a doctorate degree.

Item 1A. Risk Factors

We are dependent on government contracts for the majority of our revenue, and a reduction or delay in spending by government agencies could adversely affect our business and operating results.

Contracts with agencies of the United States government and various state and local governments represented approximately 95% of our revenue in fiscal year 2008, with only 5% of our revenue coming from commercial sources. Therefore, the majority of our revenue and the success of our business are materially dependent on contracts with governmental agencies. Companies engaged in government contracting are subject to certain unique business risks not shared by the general commercial sector. Among these risks are:

a competitive procurement process with no guaranty of being awarded contracts;

dependence on congressional appropriations and administrative allotment of funds;

policies and regulations that can be changed at any time by Congress or a presidential administration;

competing political priorities and changes in the political climate regarding funding and operations of the services;

changes in and delays or cancellations of government programs or requirements;

government contracts that are usually awarded for relatively short periods of time and are subject to renewal options in favor of the government; and

many contracts with Federal government agencies require annual funding and may be terminated at the agency's discretion.

Following the award of a federal government contract, payment for the work is dependent on congressional appropriations of the funds necessary to complete the task. The Federal government contracting laws also provide that the United States government is to do business only with responsible contractors. Accordingly, Federal agencies have the authority under certain circumstances to suspend or debar a contractor from bidding on government contracts.

A reduction or shift in spending priorities by Federal government agencies could limit or eliminate the continued funding of our existing government contracts. These reductions or shifts in spending, if significant, could have a material adverse effect on our business.

Our government contracts are subject to audit and potential reduction of costs and fees.

Contracts with the Federal government and many other state and local governmental agencies are subject to audit by governmental agencies, which could result in the disallowance of certain fees and costs. These audits can result in the disallowance of significant costs and expenses if the auditing agency determines, in its discretion, that certain costs and expenses were not warranted or were excessive. Disallowance of costs and expenses, if pervasive or significant, could have a material adverse effect on our business.

As a government contractor, we are subject to a number of procurement laws and regulations; a violation of any such law or regulation could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor.

We must comply with and are affected by federal, state and local laws and regulations regarding the formation, administration and performance of government contracts. These laws and regulations affect how we transact business with our government clients and, in some instances, impose additional costs on our business operations. Even though we take precautions to prevent and deter fraud, misconduct and non-compliance, we face the risk that our personnel or outside partners may engage in misconduct, fraud or improper activities. Government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit and/or suspension of payment, any of which could make us lose our status as an eligible government contractor and could cause our reputation to suffer serious harm.

Since we depend on federal, state and local governments for a significant portion of our revenue, our inability to win or renew government contracts could harm our operations and financial condition.

Our inability to win or renew government contracts could harm our operations and significantly reduce or eliminate any potential profits. Government contracts are typically awarded through a heavily regulated procurement process. Some government contracts are offered to multiple competitors, causing increases in overall competition and pricing pressure. The competition and pricing pressure may require us to seek to reduce costs in order to realize revenues under these contracts. If we are not successful in reducing the amounts of costs we anticipate, our profitability on these contracts will be negatively impacted. Further, even if we are qualified to work on a government contract, we may not be awarded the contract if a competitor is selected or because of certain government policies.

Robust enforcement of regulations is important to our financial success.

Our business is materially dependent on the continued enforcement by local, state and federal governments of various environmental regulations. From time to time, depending on political pressures, local, state and federal agencies relax environmental clean-up standards to promote economic growth and to discourage industrial businesses from relocating. Any relaxation in clean-up standards impacts our ability to secure additional contracting work with such agencies or with other federal agencies that operate or manage contaminated property. Further, in a period of relaxed environmental standards, private industry may be less willing to allocate funds to consulting services designed to prevent or remediate environmental problems.

A large portion of our backlog is subject to cancellation and adjustments which makes backlog an uncertain indicator of future operating results.

Our funded backlog was approximately \$64 million as of June 27, 2008. Funded backlog represents orders for goods and services for which firm contractual commitments have been received. Such contractual commitments may take the form of a signed contract, a written task order under a large contract vehicle, a master contract or other types of written authorization, including change orders to existing written agreements. In the case of contracts with governments or governmental agencies amounts are included in funded backlog when the firm contractual commitment is supported by funding that has been appropriated and authorized for expenditure.

Our total contract backlog was \$610 million as of June 27, 2008. Total contract backlog includes two components: funded backlog and expected backlog. Expected backlog reflects management's estimate of future revenue from existing written contracts, such as master contracts with large corporations and large federal, state and municipal multi-year contracts for which funding for work or tasks has not yet been authorized in writing by the other contracting party. The amount of expected backlog included in total contract backlog is not exact or guaranteed; however, it represents what we reasonably believe, based upon subjective factors such as past experience with the particular clients, the type of work and present budgetary expectations and information about the clients' needs and other business circumstances, will become funded backlog over the next five to seven years. These estimates are based upon the information in our possession at the time the estimate is made. If Versar's management does not accurately assess each of these factors, or if it does not include all of the variables that affect the revenue it will recognize from existing contracts in the estimating process, the potential value of these contracts, and accordingly, reported total contract backlog, will not reflect the actual revenue received from contracts and task orders.

As a result, there can be no assurance that we will ultimately receive amounts included in total contract backlog that are not included in funded backlog or that total contract backlog includes all revenue that we may ultimately receive under contracts existing at any one time. Further, many factors that affect the scheduling of projects could alter the actual timing of revenue on projects included in total contract backlog. There is also the possibility that contracts could be adjusted or cancelled in a manner that would affect the realization of revenues reflected in backlog. The failure to realize all amounts in backlog could adversely affect our revenues and margins.

Due to these uncertainties, our funded backlog and our total contract backlog as of any particular date may not be an accurate indicator of our future earnings.

We could face potential liability for failure to properly design remediation.

A part of our business involves the design and implementation of remediation at environmental clean-up sites. If we fail to properly design and build a remediation system or if someone claims that we did, we could face expensive litigation and settlement costs. If we failed to successfully defend against such a lawsuit, it could materially affect our business.

Our failure to properly manage projects may result in additional costs or claims.

Our engagements often involve complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients, and to effectively manage the projects and deploy appropriate resources in a timely manner. If we miscalculate the resources or time we need to complete a project with capped or fixed fees, or the resources or time we need to meet contractual milestones, our operating results could be adversely affected. Further, any defects or errors, or failures to meet our client's expectations, could result in claims for damages against us.

Our services expose us to significant risks of liability and it may be difficult to obtain or maintain adequate insurance coverage.

Our services involve significant risks of professional and other liabilities that may exceed the fees we derive from performance. Our business activities could expose us to potential liability under various environmental laws and under workplace health and safety regulations. In addition, we sometimes may assume liability by contract under indemnification agreements. We are not able to predict the magnitude of any such liabilities.

We obtain insurance from third parties to cover our potential risks and liabilities. It is possible that we may not be able to obtain adequate insurance to meet our needs, may have to pay an excessive amount for the insurance coverage we want, or may not be able to acquire any insurance for certain types of business risks.

We operate in highly competitive industries.

The markets for many of our services are highly competitive. There are numerous professional architectural, engineering and environmental consulting firms, and other organizations which offer many of the same services offered by us. We compete with many companies, many of which have greater resources than us and we cannot assure you that such competitors will not substantially increase the resources devoted to their business in a manner competitive with the services provided by us. Competitive factors include reputation, performance, price, geographic location and availability of technically skilled personnel. In addition, we face competition from the use by our clients of in-house environmental, engineering and other staff.

Our quarterly and annual revenue, expenses and operating results may fluctuate significantly, which could have a negative effect on the price of our common stock.

Our quarterly and annual revenues, expenses and operating results have and may continue to fluctuate significantly because of a number of factors, including:

the seasonality of the spending cycle of our public sector clients, notably the Federal government, and the spending patterns of our private sector clients;

employee hiring and utilization rates in the United States and internationally;

the number and significance of client engagements commenced and completed during the period;

delays incurred in connection with an engagement because of weather or other factors;

ability to work within foreign countries regulations, tax requirements and obligations;

business and financial risk working in foreign countries;

the ability of clients to terminate engagements without penalties;

the creditworthiness and solvency of clients;

the size and scope of engagements;

the ability to perform contracts within budget or contractual limitations;

the timing of expenses incurred for corporate initiatives;

threatened or pending litigation matters;

reductions in the prices of services offered by our competitors;

winning re-bids of our existing large government contracts;

general economic and political conditions; and

volatility of currencies in foreign countries.

Variations in any of these factors could cause significant fluctuations in our operating results from quarter to quarter and could result in net losses.

We are highly dependent on key personnel.

Our business is managed by a small number of key management and operating and professional personnel, the loss of certain of whom could have a material adverse effect on the Company. The market for these professionals is competitive and we believe that our ability to manage planned growth successfully will depend in large part on our continued ability to attract and retain highly skilled and qualified personnel.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's executive office is located in Springfield, Virginia, a suburb of Washington, D.C. Versar currently leases 47,742 square feet in two buildings from Springfield Realty Investors, LLC. The rent is subject to a two and one half percent escalation per year through November 30, 2015.

As of September 5, 2008, the Company had under lease an aggregate of approximately 138,000 square feet of office and laboratory space in the following locations: Springfield, Lynchburg, Richmond and Norfolk, VA; Mesa, AZ; Fair Oaks, CA; Westminster, CO; Lombard, IL; Baltimore, Columbia, Gaithersburg and Germantown, MD; San Antonio, TX; Makati City, the Republic of Philippines; and Abu Dhabi, United Arab Emirates. The lease terms primarily range from two to six years with the exception of the Springfield and Lynchburg offices. Lease terms for these two offices expire in 2015 and 2020, respectively.

The Company's National Security business segment office space is located in Germantown and Gaithersburg, MD with the remainder of the office space being used by the other business segments.

Item 3. Legal Proceedings

Versar and its subsidiaries are parties from time to time to various legal actions arising in the normal course of business. The Company believes that any ultimate unfavorable resolution of these legal actions will not have a material adverse effect on its consolidated financial condition and results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's security holders during the last quarter of fiscal year 2008.

EXECUTIVE OFFICERS OF THE REGISTRANT

The current executive officers of Versar, and their ages as of September 5, 2008, their current offices or positions and their business experience for at least the past five years are set forth below.

NAME	AGE	POSITION WITH THE COMPANY
Theodore M. Procriv	60	President and Chief Executive Officer
Lawrence W. Sinnott	46	Executive Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer
Jeffrey A. Wagonhurst	60	Senior Vice President, Program Management Business Segment
Paul W. Kendall	55	Senior Vice President, National Security Business Segment
James C. Dobbs	63	Senior Vice President, General Counsel and Secretary
Gina Foringer	39	Senior Vice President, Professional Services Business Segment
Michael Abram	52	Senior Vice President, Compliance and Environmental Programs Business Segment

Theodore M. Procriv, Ph.D., joined Versar as President on November 1, 1999 and was elected Chief Executive Officer on July 1, 2000. From 1995 to August 1998, Dr. Procriv served as the Deputy Assistant to the Secretary of Defense for Chemical and Biological Matters, and subsequently as the Deputy Assistant Secretary of Army for Chemical Demilitarization. Before joining the Department of Defense, Dr. Procriv was Corporate Vice President of Environmental Business at Science Applications International Corporation, (SAIC) from 1993 to 1994, and served as the Vice President for Government Systems at Battelle Memorial Institute from 1979 to 1993.

Lawrence W. Sinnott, MBA, CPA, joined Versar in 1991 as Assistant Controller. In 1992, he became Corporate Controller. In 1993, he was elected Treasurer and Corporate Controller. In 1994, he became Vice President, Chief Financial Officer and Treasurer. In October 1999, he was elected Senior Vice President. On September 6, 2005, he was elected Executive Vice President and Chief Operating Officer. From 1989 to 1991, he was Controller of a venture capital company, Defense Group, Inc.

Jeffrey A. Wagonhurst, MBC, MBA, joined Versar in February 1999 as an Army Program Manager. In 2001, he was elected Vice President of Human Resources and Facilities. In September 2006, he was elected Senior Vice President to lead the business unit that is now our Program Management business segment. Mr. Wagonhurst concluded his 30 year career with the U.S. Army and retired in May 1997 as a Colonel. He commanded a Combat Engineer Brigade and Battalion during this period. He also served as a Deputy District Commander of the Mobile District, U.S. Army Corps of Engineers.

Paul W. Kendall, B.S., J.D., joined Versar in 1994 as Manager of Business Development, was elected Vice President in 2000, served as Vice President of Corporate Development from January to October 2003, and since November 2003 as Senior Vice President, National Security business segment and President of GEOMET Technologies LLC.

James C. Dobbs, J.D., L.L.M., joined Versar in 1992 as Vice President, General Counsel, and Secretary. In October 1999, he was elected Senior Vice President. From 1984 to 1992, Mr. Dobbs was employed by Metcalf & Eddy, Inc. as Vice President and General Counsel where he was responsible for providing legal and regulatory advice to senior management.

Gina Foringer, MBA, PMP joined Versar in September 1999 as Senior Project Manager to support Army programs. In November 2003, she was elected Vice President of the Professional Services business segment. In April 2006, Ms. Foringer was elected Senior Vice President of the business unit that is now our Professional Services business segment. Prior to joining Versar, she was a US Army Transportation Officer, and worked for the Norfolk District, US Army Corps of Engineers as an on-site contractor.

Michael Abram, B.S., joined Versar in 2001 as Director of Acquisition Strategy. In 2002, he was appointed Vice President of the former Architect and Engineering Operations and in 2004 elected as a Corporate Vice President in charge of quality assurance. In July 2006, Mr. Abram was the Vice President of Versar supporting the former Infrastructure and Management Services segment which is now part of the Compliance and Environmental Programs business segment. He was elected Senior Vice President in September 2007. Prior to joining Versar, Mr. Abram worked 15 years for Mobil Oil Corporation.

PART II**Item 5. Market for Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities****Common Stock**

The Company's common stock is traded on the American Stock Exchange (AMEX), under the symbol VSR. At June 27, 2008, the Company had 1,009 stockholders of record, excluding stockholders whose shares were held in nominee name. The quarterly high and low sales prices as reported on the AMEX during fiscal years 2008 and 2007 are presented below.

Fiscal Year 2008	High	Low
4 th Quarter	\$ 6.44	\$4.70
3 rd Quarter	7.00	5.36
2 nd Quarter	9.25	5.42
1 st Quarter	15.35	6.80
Fiscal Year 2007	High	Low
4 th Quarter	\$9.15	\$4.75
3 rd Quarter	5.40	3.98
2 nd Quarter	4.48	3.46
1 st Quarter	4.45	3.56

No cash dividends have been paid by Versar since it began public trading of its stock in 1986. The Board of Directors intends to retain any future earnings for use in the Company's business and does not anticipate paying cash dividends in the foreseeable future. Under the terms of the Company's revolving line of credit, approval would be required from the Company's primary bank for the payment of any dividends.

The Company has established equity compensation plans to attract, motivate and reward good performance of high caliber employees, directors and service providers to serve Versar, Inc. and its affiliates. Currently, there are four stock option plans which were previously approved by the security holders: the 2005 and 2002 Stock Incentive Plans, the 1996 Stock Option Plan, and the 1992 Stock Option Plan.

Equity Compensation Plan Information
(In thousands, except share price)

Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
---	---	--

Edgar Filing: VERSAR INC - Form 10-K

Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	572	\$ 3.04	681

The graph below matches Versar, Inc.'s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index, and a customized peer group of five companies that includes: Arcadis N V oting, Baker Michael Corp., Ecology & Environment Inc., CET Services and Matrix Service Company. The graph tracks the performance of a \$100 investment in our common stock, in the peer group, and the index (with the reinvestment of all dividends) from June 30, 2003 to June 30, 2008.

	6/03	6/04	6/05	6/06	6/07	6/08
Versar, Inc.	100.00	189.66	122.61	157.85	322.30	183.91
S&P 500	100.00	119.11	126.64	137.57	165.90	144.13
Peer Group	100.00	126.37	160.73	295.18	559.28	458.88

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data (unaudited)

The selected consolidated financial data set forth below should be read in conjunction with Versar's consolidated financial statements and notes thereto beginning on page F-2 of this report. The financial data is as follows:

	June 27, 2008	June 29, 2007	June 30, 2006	July 1, 2005	June 30, 2004
	For the Years Ended				
	(In thousands, except per share data)				
Consolidated Statement of Operations related data:					
Gross Revenue	\$ 115,602	\$ 102,726	\$ 60,888	\$ 67,678	\$ 60,067
Gross Profit	13,788	10,822	6,354	7,759	7,377
Operating Income	5,491	4,153	681	1,419	1,913
Income from Continuing Operations	3,391	5,282	1,637	1,361	1,827
Loss from Discontinued Operations			(290)	(1,159)	(636)
Net Income	3,391	5,282	1,347	202	1,191
Income per share from Continuing Operations Diluted	\$.36	\$.62	\$.20	\$.16	\$.24
Loss per share from Discontinued Operations Diluted	\$	\$	\$ (.04)	\$ (.14)	\$ (.09)
Net Income per share Diluted	\$.36	\$.62	\$.16	\$.02	\$.16
Weighted Average Shares Outstanding Diluted	9,331	8,466	8,347	8,263	7,675
Consolidated Balance Sheet related data:					
Working Capital	\$ 22,271	\$ 16,176	\$ 9,119	\$ 7,887	\$ 7,494
Current Ratio	2.67	2.01	1.99	1.86	1.87
Total Assets	39,828	36,817	22,802	20,912	20,085
Stockholders Equity	\$ 25,053	\$ 19,422	\$ 12,572	\$ 10,552	\$ 10,065

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations
Financial Trends

In fiscal year 2006, the Company's gross revenues declined primarily due to the continuation of federal government delays in funding, which in certain instances, spanned as much as nine months and the continued diversion of funding to the war in Iraq. The Company adapted to the funding shifts by expanding its services in Iraq work under existing contracts and seeking new contract work in Iraq. By the end of fiscal year 2006, the project funding began to return to normal levels and increased the Company's funded backlog by 55% to \$48 million. By the end of fiscal year 2007, as a result of continued efforts to grow the business and with new contracts, funded backlog had increased by an additional 19% to \$57 million. During fiscal year 2008, backlog continued to grow, increasing by 12% to \$64 million at June 27, 2008.

Approximately 53% of the Company's business volume related to the reconstruction efforts in Iraq in fiscal year 2008. However, the Company is taking steps to further diversify its business if opportunities in Iraq are reduced or are eliminated. The Company's primary focus is on BRAC efforts and requirements which have been delayed as a result of the war in Iraq. Gross revenues and gross profit increased among all business segments in fiscal year 2008. We see the Compliance and Environmental business segment being impacted by the funding of work into fiscal year 2009. We continue to follow the funding shifts in Iraq and Afghanistan to maintain and expand our business basis. The funding of BRAC work world-wide represents our greatest opportunity for growth in fiscal year 2009.

The Company re-evaluated its segment reporting in fiscal year 2007 due to the business growth and changes in the business mix during the year. The Company's business is now operated through four segments as follows: Program Management, Compliance and Environmental Programs, Professional Services, and National Security. Program Management continues to be the largest business segment of the Company.

These segments were segregated based on the nature of the work, business processes, customer base and the business environment each of the segments operates in. Information in previous periods has been allocated among these segments as discussed below for comparative purposes.

There are a number of risk factors or uncertainties that could significantly impact our future financial performance including the following:

General economic or political conditions;

Threatened or pending litigation;

The timing of expenses incurred for corporate initiatives;

Employee hiring, utilization, and turnover rates;

The seasonality of spending in the federal government and for commercial clients;

Delays in project contracted engagements;

Unanticipated contract changes impacting profitability;

Reductions in prices by our competitors;

The ability to obtain follow-on project work;

Failure to properly manage projects resulting in additional costs;

The cost of compliance for the Company's laboratories;

The results of a negative government audit potentially impacting our costs, reputation and ability to work with the federal government;

Loss of key personnel;

The ability to compete in a highly competitive environment; and

Federal funding delays due to war in Iraq.

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)
Results of Operations

Versar's gross revenue for fiscal year 2008 totaled \$115,602,000, an increase of \$12,876,000 (13%) compared to gross revenue of \$102,726,000 for fiscal year 2007. Gross revenue for fiscal year 2007 increased by \$41,838,000 (69%) over that reported in fiscal year 2006. The following table presents gross revenue by business segment for the Company.

	June 27, 2008	Years Ended June 29, 2007	June 30, 2006
	(In thousands)		
GROSS REVENUE			
Program Management	\$ 68,896	\$ 58,765	\$ 19,507
Compliance and Environmental Programs	30,429	29,839	26,958
Professional Services	8,101	7,318	7,010
National Security	8,176	6,804	7,413
	\$ 115,602	\$ 102,726	\$ 60,888

Gross revenue for the Program Management business segment for fiscal year 2008 was \$68,896,000, an increase of \$10,131,000 (17%) over that reported in fiscal year 2007 and for fiscal year 2007 increased by \$39,258,000 (201%) over that reported in fiscal year 2006. The increases in both periods are attributable to the Company's continued efforts to support both the Air Force and the Army in Iraq as part of the reconstruction support efforts. Gross revenue for the Compliance and Environmental Programs business segment for fiscal year 2008 was \$30,429,000, an increase of \$590,000 (2%) over that reported in fiscal year 2007 and for fiscal year 2007 was \$2,881,000 (11%) over that reported in fiscal year 2006. The increases are primarily attributable to increased work for municipal aquatic facilities. Gross revenue for the Professional Services business segment for fiscal year 2008 was \$8,101,000, an increase of \$783,000 (11%) over that reported in fiscal year 2007 and for fiscal year 2007 was \$308,000 (4%) over that reported in fiscal year 2006. The increases are attributable to additional work obtained from the U.S. Army to provide additional professional services. Gross revenue for the National Security business segment for fiscal year 2008 was \$8,176,000, an increase of \$1,372,000 (20%) over that reported in fiscal year 2007. Gross revenue in the National Security business segment for fiscal year 2007 was \$609,000 (8%) lower than that reported in fiscal year 2006. The increase in fiscal year 2008 is attributable to higher commercial laboratory testing work and a decline in the level of activity in fiscal year 2007. The decrease in fiscal year 2007 compared to fiscal year 2006 was attributable to reduced chemical laboratory work in fiscal year 2007.

Purchased services and materials increased by \$5,757,000 (9%) in fiscal year 2008 compared to that reported in fiscal year 2007. Purchased services and materials for fiscal year 2007 increased by \$36,152,000 (136%) over that reported in fiscal year 2006. The increases in both periods were attributable to increases in gross revenues in the Program Management business segment as mentioned above.

Direct costs of services and overhead include the cost to Versar of direct and overhead staff, including recoverable and unallowable costs that are directly attributable to contracts. Direct costs of services and overhead increased by \$4,153,000 (14%) in fiscal year 2008 compared to that reported in fiscal year 2007. Direct costs of services and overhead in fiscal year 2007 increased by \$1,218,000 (4%) over that reported in fiscal year 2006. The increase is due to increased marketing and sales costs, staffing and recruiting costs in support of the Company's business growth in fiscal years 2008 and 2007.

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Gross profit for fiscal year 2008 was \$13,788,000, a \$2,966,000 (27%) increase over that reported in fiscal year 2007. Gross profit for fiscal year 2007 increased by \$4,468,000 (70%) over that reported in fiscal year 2006. The increases are attributable to the increase in gross revenue discussed.

	June 27, 2008	Years Ended June 29, 2007	June 30, 2006		
		(In thousands)			
<u>GROSS PROFIT</u>					
\$	2.1200				
Market value at December 31	\$ 42.20	\$ 59.36	\$ 62.19	\$60.69	\$89.22
Stockholders' equity at December 31	\$ 29.42	\$ 29.23	\$ 37.83	\$33.68	\$68.81
Actual shares outstanding at December 31	6.837	7.236	7.872	8.353	8.374
Basic weighted average shares outstanding	7.001	7.590	8.105	8.384	8.383
Diluted weighted average shares outstanding	7.022	7.590	8.124	8.414	8.408
Total employees at December 31 ⁽³⁾	3,600	4,000	4,100	4,300	4,000

(1) During 2012, the Company spun-off Hyster-Yale, a former subsidiary.

(2) 2012 cash dividends include a one-time special cash dividend of \$3.50 per share. The 25 cent dividend paid in the fourth quarter of 2012 was the first regular quarterly dividend following the spin-off of Hyster-Yale.

(3) Includes employees of Weston Brands in 2014, Centennial from 2012 to 2014 and the unconsolidated mines for all years presented. Excludes employees of Hyster-Yale for all years presented.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference contain statements that constitute “forward-looking statements”. These forward-looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented in these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Such risks and uncertainties with respect to each subsidiary's operations include, without limitation:

North American Coal: (1) changes in tax laws or regulatory requirements, including changes in mining or power plant emission regulations and health, safety or environmental legislation, (2) changes in costs related to geological conditions, repairs and maintenance, new equipment and replacement parts, fuel or other similar items, (3) regulatory actions, changes in mining permit requirements or delays in obtaining mining permits that could affect deliveries to customers, (4) weather conditions, extended power plant outages or other events that would change the level of customers' coal or limerock requirements, (5) weather or equipment problems that could affect deliveries to customers, (6) changes in the power industry that would affect demand for North American Coal's reserves, (7) changes in the costs to reclaim North American Coal mining areas, (8) costs to pursue and develop new mining opportunities, (9) changes or termination of a long-term mining contract, or a customer default under a contract, (10) the timing and pricing of transactions to dispose of assets at the Centennial operations, and (11) increased competition, including consolidation within the industry.

Hamilton Beach: (1) changes in the sales prices, product mix or levels of consumer purchases of small electric and specialty housewares appliances, (2) changes in consumer retail and credit markets, (3) bankruptcy of or loss of major retail customers or suppliers, (4) changes in costs, including transportation costs, of sourced products, (5) delays in delivery of sourced products, (6) changes in or unavailability of quality or cost effective suppliers, (7) exchange rate fluctuations, changes in the foreign import tariffs and monetary policies and other changes in the regulatory climate in the foreign countries in which Hamilton Beach buys, operates and/or sells products, (8) product liability, regulatory actions or other litigation, warranty claims or returns of products, (9) customer acceptance of, changes in costs of, or delays in the development of new products, (10) increased competition, including consolidation within the industry and (11) changes mandated by federal, state and other regulation, including health, safety or environmental legislation.

Kitchen Collection: (1) changes in gasoline prices, weather conditions, the level of consumer confidence and disposable income as a result of economic conditions, unemployment rates or other events or conditions that may adversely affect the number of customers visiting Kitchen Collection® stores, (2) changes in the sales prices, product mix or levels of consumer purchases of kitchenware, small electric appliances and gourmet foods, (3) changes in costs, including transportation costs, of inventory, (4) delays in delivery or the unavailability of inventory, (5) customer acceptance of new products, (6) the anticipated impact of the opening of new stores, the ability to renegotiate existing leases and effectively and efficiently close under-performing stores and (7) increased competition.

RISK FACTORS

Prospective investors in the shares of Class A common stock offered hereby should consider carefully the following risk factors as well as the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which is incorporated into this prospectus by reference, in addition to the other information contained in this prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a material difference include, but are not limited to, those discussed below, as well as those discussed elsewhere in this prospectus and the documents incorporated into this prospectus by reference.

Risks Related to This Offering

The voting power of holders of Class B common stock who transfer their shares to the selling stockholders and receive shares of Class A common stock will diminish.

Holders of Class B common stock have ten votes per share of Class B common stock, while holders of Class A common stock have one vote per share of Class A common stock. Holders of Class B common stock who transfer their shares to the selling stockholders in exchange for shares of Class A common stock will reduce their voting power.

The voting power of the selling stockholders will increase if the selling stockholders exchange their shares of Class A common stock for shares of Class B common stock in the exchange offer. Holders of Class A common stock and holders of Class B common stock vote together on matters submitted to a vote of NACCO's stockholders. Consequently, if holders of Class B common stock transfer their shares of Class B common stock to the selling stockholders, the voting power of the selling stockholders will increase. As of February 29, 2016, the selling stockholders collectively controlled 58.8% of the voting power of outstanding shares of NACCO's common stock based on the number of outstanding shares as of February 29, 2016. As of that date, there were 5,303,607 shares of Class A common stock and 1,571,552 shares of Class B common stock outstanding. If all shares of Class A common stock offered by this prospectus are exchanged for shares of Class B common stock and the selling stockholders act together when voting their shares of Class B common stock, they will control 64.07% of the voting power of outstanding shares of NACCO's common stock based on the number of outstanding shares as of February 29, 2016, as well as the outcome of any class vote of the Class B common stock that requires the vote of at least a majority of the outstanding Class B common stock.

USE OF PROCEEDS

We will not receive any proceeds from the exchange of any shares by the selling stockholders.

SELLING STOCKHOLDERS

Class A Common Stock Beneficial Ownership Table for Selling Stockholders. The following table sets forth, as of February 29, 2016, certain information with respect to the selling stockholders, including:

- the name of each selling stockholder;
- the number of shares of Class A common stock owned by each selling stockholder immediately prior to the sale of shares offered by this prospectus;
- the number of shares of Class A common stock offered for exchange by each selling stockholder by this prospectus;
- and
- the percentage of ownership of Class A common stock of each selling stockholder immediately following the exchange of shares offered by this prospectus based on the number of shares of Class A common stock outstanding on February 29, 2016.

A total of 342,503 shares of Class A common stock is being offered by this prospectus. Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin, or in each case their revocable trusts, and Rankin Associates IV, L.P., or Rankin IV, are offering to exchange the following numbers of shares of Class A common stock: Alfred M. Rankin, Jr., 92,680; Thomas T. Rankin, 52,920; Claiborne R. Rankin, 29,322; Roger F. Rankin, 75,509; and Rankin IV, 92,072. Because each individual selling stockholder or his revocable trust will offer to exchange the shares, both the individual selling stockholder and his trust are listed separately in the tables below. However, each individual, together with his revocable trust, will only offer to exchange the number of shares of Class A common stock listed above and, accordingly, an aggregate of 342,503 shares are being offered for exchange by this prospectus. In the tables below, the disclosure of the beneficial ownership of shares for the individual selling stockholders reflects all shares deemed to be beneficially owned by such selling stockholders (including those shares held in each selling stockholder's revocable trust). The disclosure of the beneficial ownership of shares for each selling stockholder's revocable trust includes only those shares held directly by such trust.

Because the selling stockholders may offer all, a portion or none of the Class A common stock offered by this prospectus, we cannot assure you as to the number of shares of Class A common stock or Class B common stock that will be held by the selling stockholders immediately following the offering. The tables below assume that the beneficial ownership of Class A common stock for each selling stockholder, including shares held directly and indirectly by an individual selling stockholder's revocable trust, will decrease by an aggregate of the number of shares of Class A common stock described above or the number of shares held by such a trust as a result of this offering and that the beneficial ownership of Class B common stock for each selling stockholder, including shares held directly and indirectly by an individual selling stockholder's revocable trust, will increase by the same number of shares of Class B common stock. The tables do not, however, account for any changes in each selling stockholder's beneficial ownership that may result from transactions not contemplated by this prospectus such as an acquisition or disposition of shares of Class A common stock or Class B common stock.

As of the date of this prospectus, the selling stockholders have already exchanged 460,133 shares of the Class A common stock offered by the registration statement and prospectus related to the exchange offer that was initially filed on July 13, 2001, the registration statement and prospectus related to the exchange offer that was initially filed on September 5, 2003 and the registration statement and prospectus related to the exchange offer that was initially filed on January 12, 2005.

Class A Common Stock

Name	Title of Class	Shares Beneficially Owned Before this Offering(1)	Shares Offered Pursuant to this Offering(1)	Shares Beneficially Owned After this Offering(1)	Percentage of Shares Owned After this Offering(1)	
Alfred M. Rankin, Jr. ⁽²⁾	Class A	827,873	92,680	643,121	12.13	%
Alfred M. Rankin, Jr., as Trustee of the Main Trust of Alfred M. Rankin Jr. created under the Agreement, dated September 28, 2000, as supplemented, amended and restated (the "Alfred Rankin Trust") ⁽²⁾	Class A	299,211	92,680	206,531	3.89	%
Thomas T. Rankin ⁽³⁾	Class A	495,569	52,920	350,577	6.61	%
Thomas T. Rankin, as Trustee under the Agreement, dated December 29, 1967, as supplemented, amended and restated, with Thomas T. Rankin creating a revocable trust for the benefit of Thomas T. Rankin (the "Thomas Rankin Trust") ⁽³⁾	Class A	53,085	52,920	165	**	
Claiborne R. Rankin ⁽⁴⁾	Class A	474,534	29,322	353,140	6.66	%
Claiborne R. Rankin, as Trustee under the Agreement, dated June 22, 1971, as supplemented, amended and restated, with Claiborne R. Rankin creating a revocable trust for the benefit of Claiborne R. Rankin (the "Claiborne Rankin Trust") ⁽⁴⁾	Class A	25,768	25,768	—	—	
Roger F. Rankin ⁽⁵⁾	Class A	518,820	75,509	351,239	6.62	%
Roger F. Rankin, as Trustee under the Agreement, dated September 11, 1973, as supplemented, amended and restated, with Roger F. Rankin creating a trust for the benefit of Roger F. Rankin (the "Roger Rankin Trust") ⁽⁵⁾	Class A	75,461	75,461	—	—	
Rankin Associates IV, L.P. ⁽¹⁾⁽⁶⁾	Class A	92,072	92,072	—	—	

**Less than 1.0%.

(1)Each of the Alfred Rankin Trust, Thomas Rankin Trust, Claiborne Rankin Trust and Roger Rankin Trust is a General and Limited Partner of Rankin IV. As trustee and primary beneficiary of their respective trusts, each of Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin shares the power to vote the 92,072 shares of Class A common stock held by Rankin IV with the other General Partners of Rankin IV and shares the power to dispose of the 92,072 shares of Class A common stock held by Rankin IV with the other General and Limited Partners of Rankin IV. As such, each of Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin and each of their respective trusts are deemed to beneficially own the 92,072 shares of Class A common stock held by Rankin IV.

(2)Alfred M. Rankin, Jr.

•

shares with his mother the power to vote and dispose of 13,600 shares of Class A common stock pursuant to an agreement with his mother, creating a trust for the benefit of her grandchildren;

shares with PNC Bank, N.A. ("PNC") the power to vote and dispose of 21,286 shares of Class A common stock held by the A.M. Rankin Sr. GST Trusts for the benefit of Alfred M. Rankin, Sr.'s grandchildren;

shares with Rankin Management, Inc. ("RMI"), and the other partners of Rankin Associates II, L.P. ("Associates"), the power to dispose of 338,295 shares of Class A common stock held by the partnership;

shares with the other selling stockholders the power to vote the 92,072 shares of Class A common stock held by Rankin IV;

shares with the other partners of Rankin IV the power to dispose of the 92,072 shares of Class A common stock held by Rankin IV;

has the sole power to vote and dispose of 299,211 shares of Class A common stock held by the Alfred Rankin Trust;

has the sole power to vote and dispose of an additional 14,160 shares of Class A common stock held by him directly in an individual retirement account;

- is deemed to share with his spouse the power to vote and dispose of 34,936 shares of Class A common stock owned by his spouse;

shares with his brother the power to vote and dispose of 14,313 shares of Class A common stock held in trust for the benefit of that brother; and

has acquired 63,098 shares of Class B common stock in exchange for 63,098 shares of Class A common stock pursuant to exchanges effected pursuant to the previously filed registration statements and prospectuses related to the exchange offer.

In addition to Mr. Alfred M. Rankin, Jr.'s beneficial ownership of the 92,072 shares of Class A common stock held by Rankin IV, an aggregate of 92,680 shares of Class A common stock are offered to be exchanged by Mr. Rankin pursuant to this prospectus, consisting of shares held directly by Mr. Rankin or shares currently held by the Alfred Rankin Trust. Mr. Rankin, as a trustee, may choose to conduct exchanges through the Alfred Rankin Trust.

Alternatively, Mr. Rankin may choose to withdraw shares of Class A common stock from the Alfred Rankin Trust and conduct any exchange directly. Mr. Alfred M. Rankin, Jr. is the Chairman, President and Chief Executive Officer of NACCO and the Chairman and a Director of NACCO, North American Coal, Hamilton Beach and Kitchen Collection.

(3) Thomas T. Rankin:

has sole power to vote and dispose of 53,085 shares of Class A common stock held by the Thomas Rankin Trust;

has the sole power to vote and dispose of seven shares, held by him directly in an individual account;

is deemed to share with his spouse the power to vote and to dispose of 3,622 shares of Class A common stock owned by his spouse;

shares as co-trustee with his child of a trust for the benefit of that child the power to vote and dispose of 8,488 shares of Class A common stock;

shares with RMI and the other partners of Associates the power to dispose of 338,295 shares of Class A common stock held by the partnership;

shares with the other selling stockholders the power to vote the 92,072 shares of Class A common stock held by Rankin IV;

shares with the other partners of Rankin IV the power to dispose of the 92,072 shares of Class A common stock held by Rankin IV; and

has acquired 27,351 shares of Class B common stock in exchange for 27,351 shares of Class A common stock pursuant to exchanges effected pursuant to the previously filed registration statements and prospectuses related to the exchange offer.

In addition to Mr. Thomas T. Rankin's beneficial ownership of the 92,072 shares of Class A common stock held by Rankin IV, an aggregate of 52,920 shares of Class A common stock are offered to be exchanged by Mr. Rankin pursuant to this prospectus, consisting of shares currently held by the Thomas Rankin Trust. Mr. Rankin may choose to conduct exchanges through the Thomas Rankin Trust. Alternatively, Mr. Rankin may choose to withdraw shares of Class A common stock from the Thomas Rankin Trust and conduct any exchange directly. Mr. Thomas T. Rankin is a Director of North American Coal, Hamilton Beach and Kitchen Collection.

(4) Claiborne R. Rankin:

has sole power to vote and dispose of 25,768 shares of Class A common stock held by the Claiborne Rankin Trust;

is deemed to share, as trustee, the power to vote and dispose of 5,640 shares of Class A common stock held in trust for the benefit of his child;

is deemed to share, as trustee, the power to vote and dispose of 10,399 shares of Class A common stock held in trust for the benefit of a second child;

is deemed to share with his spouse the power to vote and dispose of 2,360 shares of Class A common stock owned by his spouse;

shares with RMI and the other partners of Associates the power to dispose of 338,295 shares of Class A common stock held by the partnership;

-

shares with the other selling stockholders the power to vote the 92,072 shares of Class A common stock held by Rankin IV;
shares with the other partners of Rankin IV the power to dispose of the 92,072 shares of Class A common stock held by Rankin IV; and

8

has acquired 27,489 shares of Class B common stock in exchange for 27,489 shares of Class A common stock pursuant to exchanges effected pursuant to the previously filed registration statements and prospectuses related to the exchange offer.

In addition to Mr. Claiborne R. Rankin's beneficial ownership of the 92,072 shares of Class A common stock held by Rankin IV, an aggregate of 29,322 shares of Class A common stock are offered to be exchanged by Mr. Rankin pursuant to this prospectus, consisting in part of shares currently held by the Claiborne Rankin Trust. Mr. Rankin may choose to conduct exchanges through the Claiborne Rankin Trust. Alternatively, Mr. Rankin may choose to withdraw shares of Class A common stock from the Claiborne Rankin Trust and conduct any exchange directly.

(5) Roger F. Rankin:

has sole power to vote and dispose of 75,461 shares of Class A common stock held by the Roger Rankin Trust; is deemed to share with his spouse the power to vote and dispose of 4,133 shares of Class A common stock held in trust for their child, and 2,246 shares of Class A common stock held in trust for a second child held by his spouse as trustee of both trusts;

is deemed to share with his spouse the power to vote and dispose of 6,613 shares of Class A common stock owned by his spouse;

shares with RMI and the other partners of Associates the power to dispose of 338,295 shares of Class A common stock held by the partnership;

shares with the other selling stockholders the power to vote the 92,072 shares of Class A common stock held by Rankin IV;

shares with the other partners of Rankin IV the power to dispose of the 92,072 shares of Class A common stock held by Rankin IV; and

has acquired 42,734 shares of Class B common stock in exchange for 42,734 shares of Class A common stock pursuant to exchanges effected pursuant to the previously filed registration statements and prospectuses related to the exchange offer.

In addition to Mr. Roger F. Rankin's beneficial ownership of the 92,072 shares of Class A common stock held by Rankin IV, an aggregate of 75,509 shares of Class A common stock are offered to be exchanged by Mr. Rankin pursuant to this prospectus, consisting in part of shares currently held by the Roger Rankin Trust. Mr. Rankin may choose to conduct exchanges through the Roger Rankin Trust. Alternatively, Mr. Rankin may choose to withdraw shares of Class A common stock from the Roger Rankin Trust and effect any exchange directly. Mr. Roger F. Rankin is a Director of North American Coal, Hamilton Beach and Kitchen Collection.

(6) Rankin Associates IV, L.P.: The trusts holding limited partnership interests in Rankin IV may be deemed to be a "group" as defined under the Exchange Act and therefore may be deemed as a group to beneficially own 92,072 shares of Class A common stock held by Rankin IV. Although Rankin IV holds the 92,072 shares of Class A common stock, it does not have any power to vote or dispose of such shares of Class A common stock other than effecting exchanges pursuant to this prospectus. Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin, as trustees and primary beneficiaries of trusts acting as general partners of Rankin IV, share the power to vote such shares of Class A common stock. Voting actions are determined by the general partners owning at least a majority of the general partnership interests of Rankin IV. Each of the trusts holding limited partnership interests in Rankin IV share with each other the power to dispose of such shares. Under the terms of the Amended and Restated Limited Partnership Agreement of Rankin IV, Rankin IV may not dispose of Class B common stock or convert Class B common stock into Class A common stock without the consent of the general partners owning more than 75% of the general partnership interests of Rankin IV and the consent of partners owning more than 75% of all partnership interests of Rankin IV. Rankin IV may not transfer Class A common stock, other than pursuant to a share for share exchange to acquire Class B common stock, without the consent of the general partners owning more than 75% of the general partnership interests in Rankin IV and the consent of partners owning more than 75% of all partnership interests in Rankin IV.

Rankin IV has acquired 307,928 shares of Class B common stock in exchange for 307,928 shares of Class A common stock pursuant to an exchange effected pursuant to the registration statement and prospectus related to the exchange offer that was initially declared effective on February 7, 2005.

Each of the selling stockholders is a party to the stockholders' agreement, dated as of March 15, 1990, as amended, by and among NACCO, the selling stockholders and the additional signatories that are parties thereto.

9

Class B Common Stock Beneficial Ownership Table for Selling Stockholders. The following table sets forth, as of February 29, 2016, certain information with respect to the selling stockholders, including:

- the name of each selling stockholder;
- the number of shares of Class B common stock owned by each selling stockholder immediately prior to the exchange of shares offered by this prospectus;
- the number of shares of Class B common stock that each selling stockholder may obtain if all of the shares of Class A common stock that each selling stockholder is offering by this prospectus are exchanged for shares of Class B common stock;
- the percentage of ownership of Class B common stock of each selling stockholder immediately following the exchange of shares offered by this prospectus; and
- the percentage of combined voting power of shares of Class A common stock and Class B common stock each selling stockholder will have immediately following the exchange of shares of Class A common stock for Class B common stock offered by this prospectus based on the number of shares of Class A and Class B common stock outstanding on February 29, 2016.

Class B Common Stock

Name	Title of Class	Shares Beneficially Owned Before this Offering(1)	Shares Offered Pursuant to this Offering(1)	Shares Beneficially Owned After this Offering(1)	Percentage of Shares Owned After this Offering(1)	Power of Voting Shares of Class A and Class B Common Stock After this Offering(1)
Alfred M. Rankin, Jr. ⁽²⁾	Class B	824,961	92,680	1,009,713	64.25 %	51.10 %
Alfred M. Rankin, Jr., as Trustee of the Alfred Rankin Trust ⁽²⁾	Class B	44,662	92,680	137,342	8.74 %	7.52 %
Thomas T. Rankin ⁽³⁾	Class B	873,172	52,920	1,018,164	64.79 %	50.11 %
Thomas T. Rankin, as Trustee of the Thomas Rankin Trust ⁽³⁾	Class B	92,873	52,920	145,793	9.28 %	6.94 %
Claiborne R. Rankin ⁽⁴⁾	Class B	877,611	29,322	999,005	63.57 %	49.21 %
Claiborne R. Rankin, as Trustee of the Claiborne Rankin Trust ⁽⁴⁾	Class B	97,312	25,768	123,080	7.83 %	5.86 %
Roger F. Rankin ⁽⁵⁾	Class B	898,424	75,509	1,066,005	67.83 %	52.39 %
Roger F. Rankin, as Trustee of the Roger Rankin Trust ⁽⁵⁾	Class B	118,125	75,461	193,586	12.32 %	9.21 %
Rankin Associates IV, L.P. ⁽¹⁾	Class B	307,928	92,072	400,000	25.45 %	19.03 %

Each of the Alfred Rankin Trust, Thomas Rankin Trust, Claiborne Rankin Trust and Roger Rankin Trust is a General and Limited Partner of Rankin IV. As trustee and primary beneficiary of their respective trusts, each of Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin shares the power to vote the 307,928 shares of Class B common stock held by Rankin IV with the other General Partners of Rankin IV and shares the power to dispose of the 307,928 shares of Class B common stock held by Rankin IV with the other General and Limited Partners of Rankin IV. As such, each of Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin and each of their respective trusts are deemed to beneficially own the 307,928 (1) shares of Class B common stock held by Rankin IV. In addition, as trustee and primary beneficiary of each of their respective trusts, each of Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin will share the power to vote the 400,000 shares of Class B common stock held by Rankin IV after the exchange offer with the other General Partners of Rankin IV and will share the power to dispose of the 400,000 shares of Class B common stock held by Rankin IV after the exchange offer with the other General and Limited Partners of Rankin IV. As such, each of Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin and each of their respective trusts will be deemed to beneficially own the 400,000 shares of Class B common stock held by Rankin IV after the exchange offer.

(2) Alfred M. Rankin, Jr.:

has the sole power to vote and dispose of 44,662 shares of Class B common stock held by the Alfred Rankin Trust; shares with the other selling stockholders the power to vote 472,371 shares of Class B common stock held by Rankin Associates I, L.P, which is referred to as Rankin I; shares with the other partners of Rankin I the power to dispose of 472,371 shares of Class B common stock held by Rankin I;

shares with the other selling stockholders the power to vote 307,928 shares of Class B common stock held by Rankin IV; and

shares with the other partners of Rankin IV the power to dispose of 307,928 shares held by Rankin IV.

(3) Thomas T. Rankin:

has the sole power to vote and dispose of 92,873 shares of Class B common stock held by the Thomas Rankin Trust;

shares with the other selling stockholders the power to vote 472,371 shares of Class B common stock held by Rankin I;

shares with the other partners of Rankin I the power to dispose of 472,371 shares of Class B common stock held by Rankin I;
shares with the other selling stockholders the power to vote 307,928 shares of Class B common stock held by Rankin IV; and
shares with the other partners of Rankin IV the power to dispose of 307,928 shares held by Rankin IV.

(4) Claiborne R. Rankin:

has the sole power to vote and dispose of 97,312 shares of Class B common stock held by the Claiborne Rankin Trust;
shares with the other selling stockholders the power to vote 472,371 shares of Class B common stock held by Rankin I;
shares with the other partners of Rankin I the power to dispose of 472,371 shares of Class B common stock held by Rankin I;
shares with the other selling stockholders the power to vote 307,928 shares of Class B common stock held by Rankin IV; and
shares with the other partners of Rankin IV the power to dispose of 307,928 shares held by Rankin IV.

(5) Roger F. Rankin:

has the sole power to vote and dispose of 118,125 shares of Class B common stock held by the Roger Rankin Trust;
shares with the other selling stockholders the power to vote 472,371 shares of Class B common stock held by Rankin I;
shares with the other partners of Rankin I the power to dispose of 472,371 shares of Class B common stock held by Rankin I;
shares with the other selling stockholders the power to vote 307,928 shares of Class B common stock held by Rankin IV; and
shares with the other partners of Rankin IV the power to dispose of 307,928 shares held by Rankin IV.

BENEFICIAL OWNERSHIP OF CLASS A COMMON STOCK AND CLASS B COMMON STOCK

Set forth in the following tables is the indicated information as of February 29, 2016 (except as otherwise indicated) with respect to (1) each person who is known to us to be the beneficial owner of more than five percent of the Class A Common, (2) each person who is known to us to be the beneficial owner of more than five percent of the Class B Common and (3) the beneficial ownership of Class A Common and Class B Common by our directors, principal executive officer, principal financial officer and the three other most highly compensated executive officers during 2015 and all of our executive officers and directors as a group. Beneficial ownership of Class A Common and Class B Common has been determined for this purpose in accordance with Rules 13d-3 and 13d-5 under the Exchange Act. Accordingly, the amounts shown in the tables do not purport to represent beneficial ownership for any purpose other than compliance with SEC reporting requirements. Further, beneficial ownership as determined in this manner does not necessarily bear on the economic incidence of ownership of Class A Common or Class B Common. Holders of shares of Class A Common and Class B Common are entitled to different voting rights with respect to each class of stock. Each share of Class A Common is entitled to one vote per share. Each share of Class B Common is entitled to ten votes per share. Holders of Class A Common and holders of Class B Common generally vote together as a single class on matters submitted to a vote of our stockholders. Shares of Class B Common are convertible into shares of Class A Common on a one-for-one basis, without cost, at any time at the option of the holder of the Class B Common.

Amount and Nature of Beneficial Ownership

Class A Common Stock

Name	Title of and Class	Sole Voting Investment Power	Shared Voting or Investment Power	Aggregate Amount	Percent of Class	
Zuckerman Investment Group, LLC (1) 155 N. Wacker Drive, Suite 1700 Chicago, IL 60606	Class A	—	459,386	459,386	8.66	%
Dimensional Fund Advisors LP (2) 6300 Bee Cave Road Austin, Texas 78746	Class A	441,201	(2)—	441,201	(2) 8.32	%
Beatrice B. Taplin (3) Suite 300 5875 Landerbrook Drive Cleveland, OH 44124-4069	Class A	274,538	56,120	330,658	6.23	%
FMR LLC (4) 245 Summer Street Boston, Massachusetts 02210	Class A	320,100	(4)—	320,100	(4) 6.04	%
Scott S. Cowen (5)	Class A	2,401	—	2,401	**	
John P. Jumper (5)	Class A	5,004	—	5,004	**	
Dennis W. LaBarre (5)	Class A	15,605	—	15,605	**	
Richard de J. Osborne (5)	Class A	11,304	—	11,304	**	
Alfred M. Rankin, Jr.	Class A	313,371	514,502	(6) 827,873	(6) 15.61	%
James A. Ratner (5)	Class A	7,401	—	7,401	**	
Britton T. Taplin (5)	Class A	36,037	61,875	(7) 97,912	(7) 1.85	%
David F. Taplin (5)	Class A	18,175	—	18,175	**	
David B.H. Williams (5)	Class A	13,418	498,461	(8) 511,879	(8) 9.65	%
J.C. Butler, Jr.	Class A	55,738	498,461	(9) 554,199	(9) 10.45	%
Robert L. Benson	Class A	—	—	—	—	
Elizabeth I. Loveman	Class A	2,452	—	2,452	**	
R. Scott Tidey	Class A	—	—	—	—	
Gregory H. Trepp	Class A	—	—	—	—	
All executive officers and directors as a group (31 persons)	Class A	486,055	712,600	(10) 1,198,655	(10) 22.60	%

** Less than 1.0%.

A Schedule 13G/A filed with the SEC with respect to Class A Common on February 12, 2016 reported that the (1) Zuckerman Investment Group, LLC may be deemed to beneficially own the shares of Class A Common reported above as a result of being an investment adviser.

A Schedule 13G/A filed with the SEC with respect to Class A Common on February 9, 2016 reported that Dimensional Fund Advisors LP ("Dimensional") may be deemed to beneficially own the shares of Class A Common reported above as a result of being an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 that furnishes investment advice to four investment companies registered under the (2) Investment Company Act of 1940 and serving as an investment manager to certain other commingled group trusts and separate accounts (the "Dimensional Funds"), which own the shares of Class A Common. In its role as investment adviser or manager, Dimensional possesses the sole power to vote 430,479 shares of Class A Common and the sole power to invest 441,201 shares of Class A Common owned by the Dimensional Funds. However, all shares of Class A Common reported above are owned by the Dimensional Funds. Dimensional disclaims beneficial ownership of all such shares.

A Schedule 13G/A filed with the SEC with respect to Class A Common on February 12, 2016 reported that Beatrice B. Taplin may be deemed to beneficially own the shares of Class A Common reported above. Ms. Taplin (3) may be deemed to share with the other members of Abigail LLC voting and investment power over the 56,120 shares of Class A Common held by Abigail LLC. Ms. Taplin disclaims beneficial ownership of 46,016 shares of Class A Common held by Abigail LLC.

- (4) A Schedule 13G/A filed with the SEC with respect to Class A Common on February 12, 2016 reported that FMR LLC may be deemed to beneficially own the shares of Class A Common reported above.
- Pursuant to our Non-Employee Directors' Plan, each non-employee director has the right to acquire additional shares of Class A Common within 60 days after February 29, 2016. The shares each non-employee director has the right to receive are not included in the table because the actual number of additional shares will be determined on
- (5) April 1, 2016 by taking the amount of such director's quarterly retainer required to be paid in shares of Class A Common plus any voluntary portion of such director's quarterly retainer, if so elected, divided by the average of the closing price per share of Class A Common on the Friday (or if Friday is not a trading day, the last trading day before such Friday) for each week of the calendar quarter ending on March 31, 2016.
- Alfred M. Rankin, Jr. may be deemed to be a member of Rankin Associates II, L.P. ("Associates"), which is made up of the individuals and entities holding limited partnership interests in Associates and Rankin Management, Inc. ("RMI"), the general partner of Associates. Associates may be deemed to be a "group" as defined under the Exchange Act and therefore may be deemed as a group to beneficially own 338,295 shares of Class A Common held by Associates. Although Associates holds the 338,295 shares of Class A Common, it does not have any power to vote or dispose of such shares of Class A Common. RMI has the sole power to vote such shares and shares the power to dispose of such shares with the other individuals and entities holding limited partnership interests in Associates. RMI exercises such powers by action of its board of directors, which acts by majority vote and consists of Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin, the individual trusts of whom are the shareholders of RMI. Under the terms of the Limited Partnership Agreement of Associates,
- (6) Associates may not dispose of Class A Common without the consent of RMI and the approval of the holders of more than 75% of all of the partnership interests of Associates. As a result of holding through his trust, of which he is trustee, partnership interests in Associates, Mr. Rankin may be deemed to beneficially own, and share the power to dispose of, 338,295 shares of Class A Common held by Associates. In addition, Mr. Rankin may be deemed to be a member of a group, as defined under the Exchange Act, as a result of holding through his trust, of which he is trustee, partnership interests in Rankin Associates IV, L.P. ("Rankin IV"). As a result, the group consisting of Mr. Rankin, the other general and limited partners of Rankin IV and Rankin IV may be deemed to beneficially own, and share the power to vote and dispose of, 92,072 shares of Class A Common held by Rankin IV. Mr. Rankin disclaims beneficial ownership of 514,502 shares of Class A Common held by (a) members of Mr. Rankin's family, (b) trusts for the benefit of members of Mr. Rankin's family and (c) Associates and Rankin IV to the extent in excess of his pecuniary interest in each such entity.
- Britton T. Taplin may be deemed to share with his spouse voting and investment power over 5,755 shares of Class A Common held by Mr. Taplin's spouse; however, Mr. Taplin disclaims beneficial ownership of such shares.
- (7) Mr. Taplin may be deemed to share with the other members of Abigail LLC voting and investment power over the 56,120 shares of Class A Common held by Abigail LLC. Mr. Taplin disclaims beneficial ownership of 44,616 shares of Class A Common held by Abigail LLC. Mr. Taplin has pledged 35,618 shares of Class A Common.
- David B.H. Williams may be deemed to be a member of Associates and, accordingly, may be deemed to beneficially own and share the power to dispose of, 338,295 shares of Class A Common held by Associates. In addition, Mr. Williams may be deemed to share with his spouse voting and investment power over 68,094 shares of
- (8) Class A Common beneficially owned by his spouse; he disclaims all interest in such shares. Mr. Williams' spouse is a member of Rankin IV, therefore he is deemed to share beneficial ownership of 92,072 shares of Class A Common held by Rankin IV; he disclaims all interest in such shares.
- J.C. Butler, Jr. may be deemed to be a member of Associates and, accordingly, may be deemed to beneficially own, and share the power to dispose of, 338,295 shares of Class A Common held by Associates. In addition, Mr. Butler may be deemed to share with his spouse voting and investment power over 68,094 shares of Class A Common beneficially owned by his spouse; he disclaims all interest in such shares. Mr. Butler's spouse is a member of
- (9) Rankin IV, therefore he is deemed to share beneficial ownership of 92,072 shares of Class A Common held by Rankin IV; he disclaims all interest in such shares. Mr. Butler disclaims all interest in 8,010 shares of Class A Common held in trust for the benefit of his children and for which he is the trustee and has sole power to vote and dispose of the shares.
- (10)

The aggregate amount of Class A Common beneficially owned by all executive officers and directors and the aggregate amount of Class A Common beneficially owned by all executive officers and directors as a group for which they have shared voting or investment power include the shares of Class A Common of which: (i) Mr. Rankin has disclaimed beneficial ownership in note (6) above; (ii) Mr. B. Taplin has disclaimed beneficial ownership in note (7) above; (iii) Mr. Williams has disclaimed beneficial ownership in note (8) above; and (iv) Mr. Butler has disclaimed

beneficial ownership in note (9) above. As described in note (5) above, the aggregate amount of Class A Common beneficially owned by all executive officers and directors as a group as set forth in the table above does not include shares that the non-employee directors have the right to acquire within 60 days after February 29, 2016 pursuant to the Non-Employee Directors' Plan.

Class B Common Stock

Name	Sole Title of Voting and Class Investment Power	Shared Voting or Investment Power	Aggregate Amount	Percent of Class
Clara Taplin Rankin, et al. (1) c/o PNC Bank, N.A. 3550 Lander Road Pepper Pike, OH 44124 Rankin Associates I, L.P., et al. (2) Suite 300 5875 Landerbrook Drive Cleveland, OH 44124-4069	Class B—	(1) —	(1) 1,542,757	(1) 98.17 %
Beatrice B. Taplin (3) Suite 300 5875 Landerbrook Drive Cleveland, OH 44124-4069	Class B—	(2) —	(2) 472,371	(2) 30.06 %
Rankin Associates IV, L.P., et al. Suite 300 5875 Landerbrook Drive Cleveland, OH 44124-4069	Class B 337,310	(3) —	337,310	(3) 21.46 %
Scott S. Cowen John P. Jumper Dennis W. LaBarre Richard de J. Osborne	Class B— Class B— Class B 100 Class B—	— — — —	— — 100 —	— — ** —
Alfred M. Rankin, Jr. James A. Ratner Britton T. Taplin David F. Taplin	Class B 44,662 Class B— Class B— Class B 15,883	(4) 780,299 — — —	(4) 824,961 — — 15,883	(4) 52.49 % — — 1.01 %
David B.H. Williams J.C. Butler, Jr. Robert L. Benson Elizabeth I. Loveman R. Scott Tidey Gregory H. Trepp	Class B— Class B— Class B— Class B— Class B— Class B—	789,494 789,494 — — — —	(5) 789,494 (6) 789,494 — — — —	(5) 50.24 % (6) 50.24 % — — — —
All executive officers and directors as a group (31 persons)	Class B 60,645	(7) 798,689	(7) 859,334	(7) 54.68 %

** Less than 1.0%.

(1) A Schedule 13D/A filed with the SEC with respect to Class B Common on February 12, 2016 ("the Stockholders' 13D") reported that, except for NACCO and PNC Bank, N.A., as depository, the signatories to the stockholders' agreement, together in certain cases with trusts and custodianships, which are referred to collectively as the Signatories, may be deemed to be a "group" as defined under the Exchange Act, and therefore may be deemed as a group to beneficially own all of the Class B Common subject to the stockholders' agreement, which is an aggregate of 1,542,757 shares. The stockholders' agreement requires that each Signatory, prior to any conversion of such Signatory's shares of Class B Common into Class A Common or prior to any sale or transfer of Class B Common to any permitted transferee (under the terms of the Class B Common) who has not become a Signatory, offer such shares to all of the other Signatories on a pro-rata basis. A Signatory may sell or transfer all shares not purchased under the right of first refusal as long as they first are converted into Class A Common prior to their sale or transfer. The shares of Class B Common subject to the stockholders' agreement constituted 98.17% of the Class B

Common outstanding on February 29, 2016 or 73.4% of the combined voting power of all Class A Common and Class B Common outstanding on such date. Certain Signatories own Class A Common, which is not subject to the stockholders' agreement. Under the stockholders' agreement, NACCO may, but is not obligated to, buy any of the shares of Class B Common not purchased by the Signatories following the trigger of the right of first refusal. The stockholders' agreement does not restrict in any respect how a Signatory may vote such Signatory's shares of Class B Common.

- A Schedule 13D/A filed with the SEC with respect to Class B Common on February 13, 2015 reported that Rankin Associates I, L.P. "Rankin I" and the trusts holding limited partnership interests in Rankin I may be deemed to be a "group" as defined under the Exchange Act and therefore may be deemed as a group to beneficially own 472,371 shares of Class B Common held by Rankin I. Although Rankin I holds the 472,371 shares of Class B Common, it does not have any power to vote or dispose of such shares of Class B Common. Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin, as trustees and primary beneficiaries of trusts acting as general partners of Rankin I, share the power to vote such shares of Class B Common. Voting actions are determined by
- (2) the general partners owning at least a majority of the general partnership interests of Rankin I. Each of the trusts holding general and limited partnership interests in Rankin I share with each other the power to dispose of such shares. Under the terms of the Second Amended and Restated Limited Partnership Agreement of Rankin I, Rankin I may not dispose of Class B Common or convert Class B Common into Class A Common without the consent of the general partners owning more than 75% of the general partnership interests of Rankin I and the consent of the holders of more than 75% of all of the partnership interests of Rankin I. The Stockholders 13D reported that the Class B Common beneficially owned by Rankin I and each of the trusts holding limited partnership interests in Rankin I is also subject to the stockholders' agreement.
- Beatrice B. Taplin has the sole power to vote and dispose of 337,310 shares of Class B Common held in trusts. The
- (3) Stockholders 13D reported that the Class B Common beneficially owned by Beatrice B. Taplin is subject to the stockholders' agreement.
- Alfred M. Rankin, Jr. may be deemed to be a member of the group described in note (2) above as a result of holding through his trust, of which he is trustee, partnership interests in Rankin I and therefore may be deemed to beneficially own, and share the power to vote and dispose of, 472,371 shares of Class B Common held by Rankin I. The trusts holding limited partnership interests in Rankin IV may be deemed to be a "group" as defined under the
- (4) Exchange Act. Mr. Rankin may be deemed to be a member of the Rankin IV group as a result of holding through his trust, of which he is trustee, partnership interests in Rankin IV and therefore may be deemed to beneficially own, and share the power to vote and dispose of, 307,928 shares of Class B Common held by Rankin IV. Mr. Rankin disclaims beneficial ownership of 780,299 shares of Class B Common held by Rankin I and Rankin IV to the extent in excess of his pecuniary interest in each such entity. The Stockholders 13D reported that the Class B Common beneficially owned by Alfred M. Rankin, Jr. is subject to the stockholders' agreement.
- David B.H. Williams' spouse is a member of Rankin I and Rankin IV; therefore, he may be deemed to share beneficial ownership of 780,299 shares of Class B Common held by Rankin I and Rankin IV. Mr. Williams' spouse
- (5) also owns 9,195 shares of Class B Common, which are held in trust. Mr. Williams disclaims beneficial ownership of all shares held by Rankin I, Rankin IV and his spouse's personal trusts.
- J.C. Butler, Jr.'s, an executive officer of NACCO, spouse is a member of Rankin I and Rankin IV; therefore, Mr. Butler may be deemed to share beneficial ownership of 780,299 shares of Class B Common held by Rankin I and Rankin IV. Mr. Butler's spouse also owns 9,195 shares of Class B Common, which are held in trust. Mr. Butler
- (6) disclaims beneficial ownership of all shares held by Rankin I, Rankin IV and his spouse's personal trusts. The Stockholders 13D reported that the Class B Common beneficially owned by Mr. Butler is subject to the stockholders' agreement.
- The aggregate amount of Class B Common beneficially owned by all executive officers and directors as a group and the aggregate amount of Class B Common beneficially owned by all executive officers and directors as a group
- (7) for which they have shared voting or investment power include the shares of Class B Common of which Mr. Rankin has disclaimed beneficial ownership in note (4) above, Mr. Williams has disclaimed beneficial ownership in note (5) above and Mr. Butler has disclaimed beneficial ownership in note (6) above.
- Beatrice B. Taplin is the sister-in-law of Clara Taplin Rankin. Britton T. Taplin is the son of Beatrice B. Taplin, and David F. Taplin is a nephew of Beatrice B. Taplin and Clara Taplin Rankin. Clara Taplin Rankin is the mother of Alfred M. Rankin, Jr. J.C. Butler, Jr., an executive officer of NACCO, is the son-in-law of Alfred M. Rankin, Jr. and is married to the sister of David B.H. Williams's spouse. David B.H. Williams is the son-in-law of Alfred M. Rankin, Jr. and is married to the sister of Mr. Butler's spouse. The combined beneficial ownership of such persons shown in the foregoing tables equals 1,423,842 shares, or 26.85%, of the Class A Common and 1,196,544 shares, or 76.14%, of the Class B Common outstanding on February 29, 2016. The combined beneficial ownership of all our directors,

together with Beatrice B. Taplin, and all of our executive officers whose beneficial ownership of Class A Common and Class B Common must be disclosed in the foregoing tables in accordance with Rule 13d-3 under the Exchange Act, equals 1,473,193 shares, or 27.78%, of the Class A Common and 1,196,644 shares, or 76.14%, of the Class B Common outstanding on February 29, 2016. Such shares of Class A Common and

Class B Common together represent 63.94% of the combined voting power of all Class A Common and Class B Common outstanding on such date.

THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

Under the terms of NACCO's certificate of incorporation and a stockholders' agreement, dated as of March 15, 1990, as amended, shares of Class B common stock are generally not transferable. Pursuant to the terms of the stockholders' agreement to which each of the selling stockholders is a party, and NACCO's certificate of incorporation, however, qualifying holders of Class B common stock may transfer shares of Class B common stock to the selling stockholders in exchange for shares of Class A common stock, on a share for share basis. The selling stockholders are offering to exchange up to 342,503 shares of Class A common stock with qualifying holders of Class B common stock. The selling stockholders may offer to exchange any or all of the shares of Class A common stock covered by this prospectus from time to time in varying amounts. As of the date of this prospectus, the selling stockholders have already exchanged 460,133 shares of Class A common stock registered by the registration statement and prospectus related to the exchange offer that was initially filed on July 13, 2001, the registration statement and prospectus related to the exchange offer that was initially filed on September 5, 2003 and the registration statement and prospectus related to the exchange offer that was initially filed on January 12, 2005.

In order to be a qualifying holder of Class B common stock for purposes of this prospectus, the holder must be a party to the stockholders' agreement and must be permitted to transfer shares of Class B common stock to the selling stockholders under NACCO's certificate of incorporation and the stockholders' agreement. As of February 29, 2016, the participating stockholders under the stockholders' agreement beneficially owned 98.17% of the Class B common stock issued and outstanding on that date. Holders of shares of Class B common stock that are not subject to the stockholders' agreement are permitted to transfer those shares subject to the transfer restrictions set forth in our certificate of incorporation, which include the ability of holders of shares of Class B common stock that are not subject to the stockholders' agreement to transfer the shares to persons who are permitted transferees as specified in our certificate of incorporation or convert such shares of Class B common stock into shares of Class A common stock on a one-for-one basis. Only holders of shares of Class B common stock that are subject to the stockholders' agreement may exchange their shares of Class B common stock for shares of Class A common stock pursuant to this prospectus. In connection with any exchange of Class B common stock to the selling stockholders, we may require from each holder of Class B common stock documents that evidence the permitted nature of the exchange under NACCO's certificate of incorporation.

The Class A common stock offered for exchange by the selling stockholders is entitled to one vote per share. The Class B common stock that will be transferred by qualifying holders to the selling stockholders is entitled to ten votes per share.

Persons who receive shares of Class A common stock from the selling stockholders may resell those shares of Class A common stock in brokerage transactions on the New York Stock Exchange in compliance with Rule 144 under the Securities Act, except that the six-month holding period requirement of Rule 144 will not apply.

Any broker-dealers, agents or underwriters that participate in the distribution of the shares of Class A common stock may be deemed to be "underwriters" within the meaning of the Securities Act, and any profit on the sale of the shares of Class A common stock by them and any discounts, commissions or concessions received by them may be deemed to be underwriting discounts and commissions under the Securities Act.

In order to comply with the securities laws of specific states, sales of shares of Class A common stock covered by this prospectus to qualifying holders of Class B common stock in some states may be made only through broker-dealers who are registered or licensed in those states.

We have been advised by the selling stockholders that they have not, as of the date of this prospectus, entered into any arrangement with an agent, broker-dealer or underwriter for the sale of the shares of Class A common stock covered by this prospectus owned by them.

Agents, broker-dealers and underwriters involved in the transactions contemplated by this prospectus may engage in transactions with, and perform investment banking and advisory services for, us.

Agents, broker-dealers and underwriters may be entitled under agreements entered into with us and the selling stockholders to indemnification by us and the selling stockholders against certain liabilities, including liabilities under

the Securities Act, or to contribution with respect to payments which those agents, broker-dealers or underwriters may be required to make.

18

Accounting Treatment

For accounting purposes, we will recognize no gain or loss as a result of the exchange by holders of shares of Class B common stock for shares of Class A common stock pursuant to this prospectus.

No Appraisal or Dissenters' Rights

In connection with the selling stockholders' offer to exchange up to 342,503 shares of Class A common stock, you do not have any appraisal or dissenters' rights under the General Corporation Law of the State of Delaware.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following sets forth the material U.S. federal income tax consequences of an exchange by holders of shares of Class B common stock of NACCO for shares of Class A common stock of NACCO pursuant to this prospectus. No ruling has been or will be sought from the Internal Revenue Service concerning the tax consequences of an exchange. Persons acquiring shares of Class A common stock by exchanging shares of their Class B common stock with the selling stockholders are urged to consult their tax advisors regarding the tax consequences of an exchange to them, including the effects of U.S. federal, state, local, foreign and other tax laws.

Tax Consequences of an Exchange

Subject to the following assumptions, limitations and qualifications, in the opinion of Jones Day, counsel to NACCO, for U.S. federal income tax purposes:

gain or loss will generally not be recognized by the holders of shares of Class B common stock upon the exchange of their shares of Class B common stock for shares of Class A common stock pursuant to this prospectus; the aggregate adjusted tax basis of the shares of Class A common stock received in an exchange for shares of Class B common stock pursuant to this prospectus will be equal to the aggregate adjusted basis of the shares of Class B common stock exchanged for those shares of Class A common stock; and the holding period of the shares of Class A common stock received in an exchange for shares of Class B common stock pursuant to this prospectus will include the holding period of the holder's shares of Class B common stock exchanged for that Class A common stock.

Considerations with Respect to Discussion and Tax Opinion

The tax opinion of Jones Day is and will be subject to the following assumptions, limitations and qualifications:

The opinion addresses only the specified material U.S. federal income tax consequences of an exchange. It does not address any state, local or foreign tax consequences of an exchange.

The opinion does not address all aspects of U.S. federal income taxation that may be relevant to a particular stockholder in light of his, her or its personal investment circumstances or to stockholders subject to special treatment under the U.S. federal income tax laws, including, without limitation, (1) certain U.S. expatriates, (2) stockholders that hold NACCO Class A or Class B common stock as part of a straddle, appreciated financial position, hedge, conversion transaction or other integrated investment, (3) financial institutions, (4) tax-exempt entities, (5) insurance companies, (6) dealers in securities or foreign currency, (7) traders that mark-to-market, (8) stockholders who acquired their shares of Class B common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan, and (9) foreign corporations, foreign partnerships or other foreign entities and individuals who are not citizens or residents of the United States.

The opinion does not address the tax consequences of any transaction other than an exchange pursuant to this prospectus.

The opinion is based upon the United States Internal Revenue Code of 1986, Treasury regulations, administrative rulings and judicial decisions all in effect as of February 29, 2016, all of which are subject to change, possibly with retroactive effect, and which are subject to differing interpretations. Jones Day assumes no obligation to advise NACCO or the holders of Class B common stock of such changes.

The opinion assumes that holders of Class B common stock hold their stock as a capital asset within the meaning of section 1221 of the Internal Revenue Code.

The opinion assumes that each exchange of Class B common stock for Class A common stock will be consummated in accordance with the descriptions contained in this prospectus.

The opinion assumes that the fair market value of the Class A common stock to be received in any exchange and the fair market value of the Class B common stock to be delivered in any exchange will be approximately equal in value. The opinion assumes that none of the Class B common stock transferred to any selling stockholder in any exchange will be subject to a liability, and no selling stockholder that is a party to any exchange will assume any liabilities of a holder of Class B common stock in connection with the exchange.

The opinion assumes that NACCO and the holders of Class B common stock who transfer their shares pursuant to an exchange will each pay their respective expenses, if any, incurred in connection with an exchange.

The opinion assumes that the representations contained in a tax certification letter addressed to Jones Day from NACCO, as well as the assumptions set forth in the preceding paragraphs, are accurate at all material times, including the date of any exchange pursuant to this prospectus. The representations contained in the tax certification letter are statements of fact material to the determination as to whether gain or loss will be recognized as a result of an exchange.

The opinion of Jones Day is not binding on the Internal Revenue Service and does not preclude it from adopting a contrary position. In addition, if any of the representations or assumptions upon which the discussion and opinion rely are inconsistent with the actual facts, the conclusions reached therein could be adversely affected.

LEGAL MATTERS

The validity of the shares of Class A common stock offered for exchange hereby has been passed upon for NACCO by Charles A. Bittenbender, its former Vice President, General Counsel and Secretary. Mr. Bittenbender beneficially owned 17,891 shares of our Class A common stock as of February 29, 2016.

EXPERTS

The consolidated financial statements of NACCO Industries, Inc. and Subsidiaries appearing in NACCO Industries, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2015 (including schedules appearing therein), the effectiveness of NACCO Industries, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2015 and the Combined Financial Statements of The Unconsolidated Mines of the North American Coal Corporation have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated and combined financial statements and NACCO Industries, Inc. management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2015 are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.