

### Note 3 – Net Income per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Fiscal Year Ended		
	December 27, 2019	December 28, 2018	December 29, 2017
Net income per share:			
Basic	\$ 0.82	\$ 0.71	\$ 0.55
Diluted	\$ 0.81	\$ 0.70	\$ 0.54
Weighted average common shares:			
Basic	29,532,342	28,703,265	26,118,482
Diluted	30,073,338	29,678,919	27,424,526

Reconciliation of net income per common share:

	Fiscal Year Ended		
	December 27, 2019	December 28, 2018	December 29, 2017
<b>Numerator:</b>			
Net income	\$ 24,193	\$ 20,402	\$ 14,366
Add effect of dilutive securities			
Interest on convertible notes, net of tax	207	362	536
Adjusted net income	<u>\$ 24,400</u>	<u>\$ 20,764</u>	<u>\$ 14,902</u>
<b>Denominator:</b>			
Weighted average basic common shares outstanding	29,532,342	28,703,265	26,118,482
Dilutive effect of stock options and unvested common shares	211,050	270,520	68,670
Dilutive effect of convertible notes	329,946	705,134	1,237,374
Weighted average diluted common shares outstanding	<u>30,073,338</u>	<u>29,678,919</u>	<u>27,424,526</u>

Potentially dilutive securities that have been excluded from the calculation of diluted net income per common share because the effect is anti-dilutive are as follows:

	Fiscal Year Ended		
	December 27, 2019	December 28, 2018	December 29, 2017
Restricted Share Awards (“RSAs”)	132,861	42	84,511
Stock options	—	—	201,799
Convertible notes	76,384	—	—

### Note 4 – Fair Value Measurements

#### *Assets and Liabilities Measured at Fair Value*

The Company’s contingent earn-out liabilities are measured at fair value. These liabilities were estimated using Level 3 inputs. The fair value of contingent consideration was determined based on a probability-based approach which includes projected results, percentage probability of occurrence and the application of a discount rate to present value the payments. A significant change in projected results, discount rate, or probabilities of occurrence could result in a significantly higher or lower fair value measurement. Changes in the fair value of contingent earn-out liabilities are reflected in *operating expenses* on the Company’s consolidated statements of operations.