PGT, Inc.
Form 10-K
March 19, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 3, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 000-52059

PGT, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-0634715**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1070 Technology Drive North Venice, Florida	**34275**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (941) 480-1600

Former name, former address and former fiscal year, if changed since last report: Not applicable

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common stock, par value $0.01 per share	NASDAQ Global Market

Securities registered pursuant to Section 12 (g) of the 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 x

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

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 x 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 large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant as of June 27, 2014 was approximately $380,136,516 based on the closing price per share on that date of $8.57 as reported on the NASDAQ Global Market.

The number of shares of the registrant s common stock, par value $0.01, outstanding as of February 28, 2015, was 47,707,270.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company s Proxy Statement for the Company s 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

PGT, INC.

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PART I

Item 1. *BUSINESS*

GENERAL DEVELOPMENT OF BUSINESS

Description of the Company

We are the leading U.S. manufacturer and supplier of residential impact-resistant windows and doors and pioneered the U.S. impact-resistant window and door industry. Our impact-resistant products, which are marketed under the WinGuard®, PremierVue , PGT Architectural Systems and PGT Commercial Storefront System brand names, combine heavy-duty aluminum or vinyl frames with laminated glass to provide protection from hurricane-force winds and wind-borne debris by maintaining their structural integrity and preventing penetration by impacting objects. Impact-resistant windows and doors satisfy stringent building codes in hurricane-prone coastal states and provide an attractive alternative to shutters and other active forms of hurricane protection that require installation and removal before and after each storm. Combining the impact resistance of WinGuard, PremierVue , PGT Architectural Systems, and PGT Commercial Storefront System with our insulating glass creates energy efficient windows that can significantly reduce cooling and heating costs. We also manufacture non-impact resistant products in both aluminum and vinyl frames including our SpectraGuard line of products. Our current market share in Florida, which is the largest U.S. impact-resistant window and door market, is significantly greater than that of any of our competitors.

Our manufacturing facility in North Venice, Florida, produces fully-customized windows and doors. We are vertically integrated with glass insulating, tempering and laminating facilities, which provide us with a consistent source of impact-resistant laminated and insulating glass, shorter lead times, and lower costs relative to third-party sourcing.

On September 22, 2014, we completed the acquisition of CGI Windows and Doors Holdings, Inc. (CGI) which became a wholly-owned subsidiary of PGT Industries, Inc. CGI was established in 1992 and has consistently built a reputation based on designing and manufacturing quality impact resistant products that meet or exceed the stringent Miami-Dade County impact standards. CGI has over 200 employees at its manufacturing plant in Miami, Florida. Today, CGI continues to lead as an innovator in product craftsmanship, strength and style, and its brands are highly recognized and respected by the architectural community. CGI product lines include the Estate Collection, Sentinel by CGI, Estate Entrances, Commercial Series and Targa by CGI.

The geographic regions in which we currently conduct business include the Southeastern U.S., Gulf Coast, Coastal mid-Atlantic, the Caribbean, Central America, and Canada. We distribute our products through multiple channels, including approximately 1,100 window distributors, building supply distributors, window replacement dealers and enclosure contractors. This broad distribution network provides us with the flexibility to meet demand as it shifts between the residential new construction and repair and remodeling end markets.

History

Our subsidiary, PGT Industries, Inc., a Florida Corporation, was founded in 1980 as Vinyl Tech, Inc. The PGT brand was established in 1987, and we introduced our WinGuard branded product line in the aftermath of Hurricane Andrew in 1992. CGI became a wholly-owned subsidiary of PGT Industries, Inc. on September 22, 2014.

PGT, Inc. is a Delaware corporation formed on December 16, 2003, and on June 27, 2006, we became a publicly listed company on the NASDAQ Global Market under the symbol PGTI .

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

We operate as one segment, the manufacture and sale of windows and doors. Additional required information is included in Item 8.

NARRATIVE DESCRIPTION OF BUSINESS

Our Products

We manufacture complete lines of premium, fully customizable aluminum and vinyl windows and doors and porch enclosure products targeting both the residential new construction and repair and remodeling end markets. All of our PGT products carry the PGT brand, and our consumer-oriented PGT products carry an additional, trademarked product name, including WinGuard, Eze-Breeze, SpectraGuard, PremierVue, WinGuard Vinyl and EnergyVue. CGI s products carry the CGI brand and carry the trademarked product names of Estate Collection, Sentinel by CGI, Estate Entrances, Commercial Series and Targa by CGI.

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Window and door products

Impact window and door products

WinGuard. WinGuard is an impact-resistant product line and combines heavy-duty aluminum or vinyl frames with laminated glass to provide protection from hurricane-force winds and wind-borne debris that satisfy increasingly stringent building codes and primarily target hurricane-prone coastal states in the U.S., as well as the Caribbean and Central America. Combining the impact resistance of WinGuard with our insulating glass creates energy efficient windows that can significantly reduce cooling and heating costs. In the first quarter of 2015, we announced the launch of our new WinGuard Vinyl line of windows and doors, our all-new impact-resistant vinyl window designed to offer some of the highest design pressures available on impact-resistant windows and doors even stronger and in an attractive modern profile, with larger sizes capable of handling the toughest hurricane codes in the country. It also protects against flying debris, intruders, outside noise and UV rays making it a top choice for customers seeking an impact-resistant window.

PremierVue. PremierVue is a complete line of impact-resistant vinyl window and door products that are tailored for the mid- to high-end of the replacement market, primarily targeting single and multi-family homes and low to mid-rise condominiums in Florida and other coastal regions of the Southeastern U.S. Combining structural strength and energy efficiency, these products are designed for flexibility in today s market, offering both laminated and laminated-insulated impact-resistant glass options which are Energy Star rated. PremierVue s large test sizes and high design pressures, combined with vinyl s inherent thermal efficiency, make these products truly unique in the window and door industry.

Architectural Systems. Similar to WinGuard, Architectural Systems products are impact-resistant, offering protection from hurricane-force winds and wind-borne debris for mid- and high-rise buildings rather than single family homes.

Estate Collection. Our Estate Collection of windows and doors is CGI s premium, high-end aluminum impact-resistant product line. These windows and doors can be found in elegant homes, prestigious resorts, hotels, schools and office buildings. Our Estate Collection combines best-in-class performance against hurricane force damage with architectural-grade quality, handcrafted details and superior engineering. Similar to WinGuard, Estate windows and doors protect and insulate against every imaginable external event, from hurricanes to UV protection, outside noise and forced entry. Estate s aluminum frames are up to 100% thicker than many of our competitors making it an excellent choice for any coastal area prone to hurricanes.

Sentinel. Sentinel is a complete line of aluminum impact-resistant windows and doors from CGI that provide exceptional quality, craftsmanship, energy efficiency and durability at an affordable price. Sentinel windows and doors are manufactured to enhance the aesthetics of the home while delivering protection from the most extreme coastal conditions. Sentinel is custom manufactured to exact sizes within our wide range of design parameters, therefore, reducing on-site construction costs. In addition, Sentinel s frame depth is designed for both new construction and replacement applications resulting in faster, less intrusive installations.

Targa. Targa is CGI s line of vinyl energy-efficient, impact-resistant windows designed specifically to exceed the Florida Impact codes, the most stringent impact standards in the U.S. Targa windows enhance the aesthetics of a home and are low maintenance windows with long-term durability, and environmental compatibility.

Other window and door products

Aluminum. We offer a complete line of fully customizable, non-impact-resistant aluminum frame windows and doors. These products primarily target regions with warmer climates, where aluminum is often preferred due to its ability to withstand higher structural loads. Adding our insulating glass creates energy-efficient windows that can significantly reduce cooling and heating costs.

Vinyl. We offer a complete line of fully customizable, non-impact-resistant vinyl frame windows and doors where the energy-efficient characteristics of vinyl frames are critical. It includes a line of energy-efficient vinyl windows for new construction with wood-like aesthetics, such as brick-mould frames, wood-like trim detail and simulated divided lights. Also, part of this line is vinyl replacement windows with the same superior energy performance and wood-like detail and branded the product lines as SpectraGuard. All of our vinyl product lines possess options to meet the needs of the Florida market and are Energy Star rated.

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Eze-Breeze. Eze-Breeze non-glass vertical and horizontal sliding panels for porch enclosures are vinyl-glazed, aluminum-framed products used for enclosing screened-in porches that provide protection from inclement weather. This line was completed with the addition of a cabana door.

PGT Commercial Storefront System. PGT s Commercial Storefront window system and entry doors, launched in 2013, are engineered to provide a flexible yet economical solution for a variety of applications. Our system provides easy fabrication and assembly, while also reducing installation time and challenges.

EnergyVue. EnergyVue is our all new non-impact vinyl window featuring energy-efficient insulating glass and multi-chambered frames that meet or exceed ENERGY STAR® standards in all climate zones to help save consumers on energy costs. The new design has a refined modern profile combined with robust construction to make larger sizes and higher design pressures an unparalleled offering. We rounded out the line with one of the industry s most extensive selection of frame colors and a variety of hardware finishes, glass tints, grid styles and patterns for their customers. We announced the launch of EnergyVue in the first quarter of 2015.

Sales and Marketing

Our sales strategy primarily focuses on attracting and retaining distributors and dealers by consistently providing exceptional customer service, leading product designs and quality, and competitive pricing all using our advanced knowledge of building code requirements and technical expertise.

Our marketing strategy is designed to reinforce the high quality of our products and focuses on both coastal and inland markets. We support our markets through print and web-based advertising, consumer, dealer, and builder promotions, and selling and collateral materials. We also work with our dealers and distributors to educate architects, building officials, consumers and homebuilders on the advantages of using impact-resistant and energy-efficient products. We market our products based on quality, building code compliance, outstanding service, shorter lead times, and on-time delivery using our fleet of trucks and trailers.

Our Customers

We have a highly diversified customer base that is comprised of approximately 1,100 window distributors, building supply distributors, window replacement dealers and enclosure contractors. Our largest customer accounts for approximately 4% of net sales and our top ten customers account for approximately 20% of net sales. Our sales are comprised of residential new construction and home repair and remodeling end markets, which represented approximately 38% and 62% of our sales, respectively, during 2014. This compares to 32% and 68%, respectively, in 2013.

We do not supply our products directly to homebuilders, but believe demand for our products is also a function of our relationships with a number of national homebuilders, which we believe are strong.

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Materials and Supplier Relationships

Our primary manufacturing materials include aluminum and vinyl extrusions, glass, ionoplast, and polyvinyl butyral. Although in many instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. All of our materials are typically readily available from other sources. Aluminum and vinyl extrusions accounted for approximately 37% of our material purchases during fiscal year 2014. Sheet glass, which is sourced from two major national suppliers, accounted for approximately 17% of our material purchases during fiscal year 2014. Sheet glass that we purchase comes in various sizes, tints, and thermal properties. From the sheet glass purchased, we produce most of our own laminated glass needs. However, in 2014 due to some temporary capacity constraints, we did purchase the remaining amounts of our laminated glass needs from one major national supplier. This finished laminated glass made up approximately 9% of our material purchases in fiscal year 2014. Polyvinyl butyral and ionoplast, which are both used as inner layer in laminated glass, accounted for approximately 13% of our material purchases during fiscal year 2014.

Backlog

As of January 3, 2015, our backlog was $28.0 million, which includes CGI s backlog of $3.4 million, compared to PGT s backlog of $17.6 million at December 28, 2013. Our backlog consists of orders that we have received from customers that have not yet shipped, and we expect that substantially all of our current backlog will be recognized as sales in the first quarter of 2015, due in part to our lead times which range from one to five weeks.

Intellectual Property

We own and have registered trademarks in the United States. In addition, we own several patents and patent applications concerning various aspects of window assembly and related processes. We are not aware of any circumstances that would have a material adverse effect on our ability to use our trademarks and patents. As long as we continue to renew our trademarks when necessary, the trademark protection provided by them is perpetual.

Manufacturing

Our manufacturing facilities are located in Florida where we produce fully-customized products. The manufacturing process typically begins in our glass plant where we cut, temper, laminate, and insulate sheet glass to meet specific requirements of our customers orders.

Glass is transported to our window and door assembly lines in a make-to-order sequence where it is combined with an aluminum or vinyl frame. These frames are also fabricated to order. We start with a piece of extruded material which is cut and shaped into a frame that fits the customers specifications. Once complete, product is immediately staged for delivery and generally shipped on our trucking fleet within 48 hours of completion.

Competition

The window and door industry is highly fragmented, and the competitive landscape is based on geographic scope. The competition falls into one of two categories.

Local and Regional Window and Door Manufacturers: This group of competitors consists of numerous local job shops and small manufacturing facilities that tend to focus on selling products to local or regional dealers and wholesalers. Competitors in this group typically lack marketing support and the service levels and quality controls demanded by larger distributors, as well as the ability to offer a full complement of products.

National Window and Door Manufacturers: This group of competitors tends to focus on selling branded products nationally to dealers and wholesalers and has multiple locations.

Active Protection: This group of competitors consists of manufactures that produce shutters and plywood, both of which are used to actively protect openings. Our impact windows and doors represent passive protection, meaning, once installed, no activity is required to protect a home from storm related hazards.

The principal methods of competition in the window and door industry are the development of long-term relationships with window and door dealers and distributors, and the retention of customers by delivering a full range of high-quality products on time while offering competitive pricing and flexibility in transaction processing. Trade professionals such as contractors, homebuilders, architects and engineers also engage in direct interaction and look to the manufacturer for training and education of product and code.

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Although some of our competitors may have greater geographic scope and access to greater resources and economies of scale than do we, our leading position in the U.S. impact-resistant window and door market, and the award winning designs and high quality of our products, position us well to meet the needs of our customers.

Environmental Considerations

Although our business and facilities are subject to federal, state, and local environmental regulation, environmental regulation does not have a material impact on our operations, and we believe that our facilities are in material compliance with such laws and regulations.

Employees

As of March 10, 2015, we employed approximately 1,900 people, including approximately 200 people at CGI, none of whom were represented by a collective bargaining unit. We believe we have good relations with our employees.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Our domestic and international net sales for each of the three years ended January 3, 2015, December 28, 2013, and December 29, 2012, are as follows (in millions):

	Year Ended		
	January 3, 2015	**December 28, 2013**	**December 29, 2012**
Domestic	$ 295.8	$ 232.7	$ 166.9
International	10.6	6.6	7.6
Total net sales	$ 306.4	$ 239.3	$ 174.5

AVAILABLE INFORMATION

Our Internet address is www.pgtindustries.com. Through our Internet website under Financial Information in the Investors section, we make available free of charge, as soon as reasonably practical after such information has been filed with the SEC, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act. Also available through our Internet website under Corporate Governance in the Investors section are our Code of Business Conduct and Ethics and our supplemental Code of Ethics for Senior Officers. We are not including this or any other information on our website as a part of, nor incorporating it by reference into this Form 10-K, or any of our other SEC filings. The SEC maintains an Internet site that contains our reports, proxy and information statements, and other information that we file electronically with the SEC at www.sec.gov.

Item 1A. ***RISK FACTORS***

We are subject to regional and national economic conditions. The economy in Florida and throughout the United States could negatively impact demand for our products as it has in the past, and macroeconomic forces such as employment rates and the availability of credit could have an adverse effect on our sales and results of operations.

New home construction while improving, remains below average. Also repair and remodeling markets are subject to many economic factors. Accordingly, either market could decline and lower the demand for, and the pricing of, our products, which could adversely affect our results. The window and door industry is subject to the cyclical market pressures of the larger new construction and repair and remodeling markets. In turn, these changes may be affected by adverse changes in economic conditions such as demographic trends, employment levels, interest rates, and consumer confidence. A decline in the economic environment or new home construction could negatively impact our sales and earnings.

Economic and credit market conditions impact our ability to collect receivables. Economic and credit conditions negatively impacted our bad debt expense in the years 2007-2011, which adversely impacted our results of operations. If these conditions return, our results of operations may again be adversely impacted by bad debts.

We are subject to fluctuations in the prices of our raw materials**.** We experience significant fluctuations in the cost of our raw materials, including aluminum extrusion, polyvinyl butyral and glass. A variety of factors over which we have no control, including global demand for aluminum, fluctuations in oil prices, speculation in commodities futures and the creation of new laminates or other products based on new technologies impact the cost of raw materials which we purchase for the manufacture of our products. While we attempt to minimize our risk from severe price fluctuations by entering into aluminum forward contracts to hedge these fluctuations in the purchase price of aluminum extrusion we use in production, substantial, prolonged upward trends in aluminum prices could significantly increase the cost of the unhedged portions of our aluminum needs and have an adverse impact on our results of operations. We anticipate that these fluctuations will continue in the future. While we have entered into a two-year supply agreement through December 2016 with a major producer of ionoplast inter layer that we believe provides us with a reliable, single source for ionoplast with stable pricing on favorable terms, if one or both parties to the agreement do not satisfy the terms of the agreement it may be terminated which could result in our inability to obtain ionoplast on commercially reasonable terms having an adverse impact on our results of operations. While historically we have to some extent been able to pass on significant cost increases to our customers, our results between periods may be negatively impacted by a delay between the cost increases and price increases in our products.

We depend on third-party suppliers for our raw materials. Our ability to offer a wide variety of products to our customers depends on receipt of adequate material supplies from manufacturers and other suppliers. Generally, our raw materials and supplies are obtainable from various sources and in sufficient quantities. However, it is possible that our competitors or other suppliers may create laminates or products based on new technologies that are not available to us or are more effective than our products at surviving hurricane-force winds and wind-borne debris or that they may have access to products of a similar quality at lower prices. Although in many instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. Moreover, other than with our suppliers of polyvinyl butyral and aluminum, we do not have long-term contracts with the suppliers of our raw materials.

Transportation costs represent a significant part of our cost structure. Fuel prices decreased significantly in the second half of 2014 but have increased in early 2015, and remain volatile. A rapid and prolonged increase in fuel prices may significantly increase our costs and have an adverse impact on our results of operations.

The home building industry and the home repair and remodeling sector are regulated. The homebuilding industry and the home repair and remodeling sector are subject to various local, state, and federal statutes, ordinances, rules, and regulations concerning zoning, building design and safety, construction, and similar matters, including regulations that impose restrictive zoning and density requirements in order to limit the number of homes that can be built within the boundaries of a particular area. Increased regulatory restrictions could limit demand for new homes and home repair and remodeling products and could negatively affect our sales and results of operations.

Our operating results are substantially dependent on sales of our branded impact-resistant products. A majority of our net sales are, and are expected to continue to be, derived from the sales of our branded impact-resistant products. Accordingly, our future operating results will depend on the demand for our impact-resistant products by current and future customers, including additions to this product line that are subsequently introduced. If our competitors release new products that are superior to our impact-resistant products in performance or price, or if we fail to update our impact-resistant products with any technological advances that are developed by us or our competitors or introduce new products in a timely manner, demand for our products may decline. A decline in demand for our impact-resistant products as a result of competition, technological change or other factors could have a material adverse effect on our ability to generate sales, which would negatively affect results of operations.

In 2015, we are launching a new line of vinyl impact-resistant and non-impact energy saving windows. In January 2015, we unveiled our new Vinyl WinGuard and EnergyVue line of vinyl windows which we will begin taking orders for in April 2015. Our intent in launching this new line of vinyl products is that it will ultimately replace various existing lines of vinyl impact-resistant and energy saving windows. We designed these products to exceed the most stringent impact-resistance and energy-saving codes in the country, and they have been well received by the industry. However, if these products fail to gain acceptance with our customers as replacements of our currently successful lines of vinyl windows, we could lose market share to our competitors that produce similar products, which could have a material impact on our sales and negatively affect results of operations.

Changes in building codes could lower the demand for our impact-resistant windows and doors. The market for our impact-resistant windows and doors depends in large part on our ability to satisfy state and local building codes that require protection from wind-borne debris. If the standards in such building codes are raised, we may not be able to meet their requirements, and demand for our products could decline. Conversely, if the standards in such building codes are lowered or are not enforced in certain areas, demand for our impact-resistant products may decrease. Further, if states and regions that are affected by hurricanes but do not currently have such building codes fail to adopt and enforce hurricane protection building codes; our ability to expand our business in such markets may be limited.

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Our industry is competitive, and competition may increase as our markets grow or as more states adopt or enforce building codes that require impact-resistant products. The window and door industry is highly competitive. We face significant competition from numerous small, regional producers, as well as certain national producers. Any of these competitors may (i) foresee the course of market development more accurately than do we, (ii) develop products that are superior to our products, (iii) have the ability to produce similar products at a lower cost, or (iv) adapt more quickly to new technologies or evolving customer requirements than do we. Additionally, new competitors may enter our industry, and larger existing competitors may increase their efforts and devote substantially more resources to expand their presence in the impact-resistant market. If we are unable to compete effectively, demand for our products may decline. In addition, while we are skilled at creating finished impact-resistant and other window and door products, the materials we use can be purchased by any existing or potential competitor. New competitors can enter our industry, and existing competitors may increase their efforts in the impact-resistant market. Furthermore, if the market for impact-resistant windows and doors continues to expand, larger competitors could enter or expand their presence in the market and may be able to compete more effectively. Finally, we may not be able to maintain our costs at a level for us to compete effectively. If we are unable to compete effectively, demand for our products and our profitability may decline.

Our business is currently concentrated in one state. Our business is concentrated geographically in Florida. In fiscal year 2014, approximately 88% of our sales were generated in Florida, a state in which new single family housing permits remain below average. Focusing operations into manufacturing locations in Florida optimizes manufacturing efficiencies and logistics, and we believe that a focused approach to growing our share within our core wind-borne debris markets in Florida, from the Gulf Coast to the mid-Atlantic, and certain international markets, will maximize value and return. However, such a focus further concentrates our business, and another prolonged decline in the economy of the state of Florida or of certain coastal regions, a change in state and local building code requirements for hurricane protection, or any other adverse condition in the state or certain coastal regions, could cause a decline in the demand for our products, which could have an adverse impact on our sales and results of operations.

We may incur additional indebtedness. We may incur additional indebtedness under our credit facilities, which provide for up to $35 million of revolving credit borrowings. In addition, we and our subsidiaries may incur additional indebtedness in the future. If new debt is added to our current debt levels, certain risks which we currently do not consider significant could intensify.

Our debt instruments contain various covenants that limit our ability to operate our business. Our credit facility contains various provisions that limit our ability to, among other things, transfer or sell assets, including the equity interests of our subsidiaries, or use asset sale proceeds; pay dividends or distributions on our capital stock, make certain restricted payments or investments; create liens to secure debt; enter into transactions with affiliates; merge or consolidate with another company; and engage in unrelated business activities.

In addition, our credit facilities require us to meet specified financial ratios. These covenants may restrict our ability to expand or fully pursue our business strategies. Our ability to comply with these and other provisions of our credit facilities may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments, or other events beyond our control. The breach of any of these covenants, including those contained in our credit facilities, could result in a default under our indebtedness, which could cause those and other obligations to become due and payable. If any of our indebtedness is accelerated, we may not be able to repay it.

We may be adversely affected by any disruption in our information technology systems. Our operations are dependent upon our information technology systems, which encompass all of our major business functions. A disruption in our information technology systems for any prolonged period could result in delays in receiving inventory and supplies or filling customer orders and adversely affect our customer service and relationships.

During the second quarter of fiscal year 2012, we started the implementation of our new Enterprise Resource Planning (ERP) System. In order to maintain our leadership position in the market and efficiently process increased business volume, we are making a significant upgrade to our computer hardware, software and our ERP System. The ERP implementation was substantially completed by the end of 2014, with shipments in our new system expected to increase significantly through the second quarter of 2015. Although significant testing of the new ERP system has taken place, inefficiencies could result from the conversion and our ability to maintain and grow the business could be hindered, and our operations and financial results could be adversely impacted.

We may be adversely affected by any disruptions to our manufacturing facilities or disruptions to our customer, supplier, or employee base. Any disruption to our facilities resulting from hurricanes and other weather-related events, fire, an act of terrorism, or any other cause could damage a significant portion of our inventory, affect our distribution of products, and materially impair our ability to distribute our products to customers. We could incur significantly higher costs and longer lead times associated with distributing our products to our customers during the time that it takes for us to reopen or replace a damaged facility. In addition, if there are disruptions to our customer and supplier base or to our employees caused by hurricanes, our business could be temporarily adversely affected by higher costs for materials, increased shipping and storage costs, increased labor costs, increased absentee rates,

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and scheduling issues. Furthermore, some of our direct and indirect suppliers have unionized work forces, and strikes, work stoppages, or slowdowns experienced by these suppliers could result in slowdowns or closures of their facilities. Any interruption in the production or delivery of our supplies could reduce sales of our products and increase our costs.

The nature of our business exposes us to product liability and warranty claims. We are, from time to time, involved in product liability and product warranty claims relating to the products we manufacture and distribute that, if adversely determined, could adversely affect our financial condition, results of operations, and cash flows. In addition, we may be exposed to potential claims arising from the conduct of homebuilders and home remodelers and their sub-contractors. Although we currently maintain what we believe to be suitable and adequate insurance in excess of our self-insured amounts, we may not be able to maintain such insurance on acceptable terms or such insurance may not provide adequate protection against potential liabilities. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods, regardless of the ultimate outcome. Claims of this nature could also have a negative impact on customer confidence in our products and our company.

We are subject to potential exposure to environmental liabilities and are subject to environmental regulation. We are subject to various federal, state, and local environmental laws, ordinances, and regulations. Although we believe that our facilities are in material compliance with such laws, ordinances, and regulations, as owners and lessees of real property, we can be held liable for the investigation or remediation of contamination on such properties, in some circumstances, without regard to whether we knew of or were responsible for such contamination. Remediation may be required in the future as a result of spills or releases of petroleum products or hazardous substances, the discovery of unknown environmental conditions, or more stringent standards regarding existing residual contamination. More burdensome environmental regulatory requirements may increase our general and administrative costs and may increase the risk that we may incur fines or penalties or be held liable for violations of such regulatory requirements.

We conduct all of our operations through our subsidiaries, and rely on payments from our subsidiaries to meet all of our obligations. We are a holding company and derive all of our operating income from our subsidiary, PGT Industries, Inc., and its subsidiary, CGI Windows and Doors, Inc. All of our assets are held by our subsidiaries, and we rely on the earnings and cash flows of our subsidiaries to meet our obligations. The ability of our subsidiaries to make payments to us will depend on their respective operating results and may be restricted by, among other things, the laws of their jurisdictions of organization (which may limit the amount of funds available for distributions to us), the terms of existing and future indebtedness and other agreements of our subsidiaries, including our credit facilities, and the covenants of any future outstanding indebtedness we or our subsidiaries incur.

We are exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act of 2002. We are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. While we have concluded that at January 3, 2015, we have no material weaknesses in our internal controls over financial reporting, we cannot assure you that we will not have a material weakness in the future. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company s annual or interim financial statements will not be prevented or detected on a timely basis. If we fail to maintain a system of internal controls over financial reporting that meets the requirements of Section 404, we might be subject to sanctions or investigation by regulatory authorities such as the SEC or by the NASDAQ Global Market LLC. Additionally, failure to comply with Section 404 or the report by us of a material weakness may cause investors to lose confidence in our financial statements and our stock price may be adversely affected. If we fail to remedy any material weakness, our financial statements may be inaccurate, we may not have access to the capital markets, and our stock price may be adversely affected.

We are exposed to risks relating to building of our new glass facility. We expanded our glass processing capacity with the completion of a new multi-million dollar facility, and are proceeding with the second phase of this expansion with the purchase of additional laminating and insulating equipment. While the second phase of the plant expansion is progressing with no anticipated issues, there is always the potential risk of a delay in completion and of cost over-runs. Should a serious delay in the second phase of this project take place, or if this project negatively impacted our operational efficiencies, this would impact the cost savings we expect to achieve during 2015 which could negatively affect our future results.

We may be adversely impacted by the loss of sales or market share from being unable to keep up with demand. We are currently experiencing growth through higher sales volume and growth in market share. To meet the increased demand, we have been hiring and training new employees for direct and indirect support, and adding to our glass capacity. However, should we be unable to find and retain quality employees to meet demand, or should there be disruptions to the increase in capacity, we may be unable to keep up with our higher sales demand. If our lag time on delivery falls behind, or we are unable to meet customer timing demands, we could lose market share to competitors.

We made a significant acquisition late in the third quarter of 2014 of a company that sells products similar to PGT s own impact-resistant line of products in PGT s primary market of Florida. Late in the third quarter of 2014, we acquired CGI Windows and Doors, Inc. CGI produces the Estate, Sentinel and Targa lines of impact-resistant branded products which are very similar to our

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WinGuard line of impact-resistant branded products. Nearly all of CGI s sales are in Florida, PGT s primary market. We believe that adding CGI s branded products and presence in Florida to PGT s already successful, established line of branded products in Florida will benefit PGT through higher sales and market share. However, no assurances can be given that the combination of these branded products within a single company will not result in dilution of these brands, resulting in loss of market share and demand for these products.

Item 1B. *UNRESOLVED STAFF COMMENTS*

None.

Item 2. *PROPERTIES*

We have the following properties as of January 3, 2015:

	Manufacturing	Support (in square feet)	Storage
Owned:			
Main Plant and Corporate Office, North Venice, FL	348,000	15,000	
Glass tempering and laminating, North Venice, FL	80,000		
New glass facility, North Venice, FL	96,000		
Insulated Glass, North Venice, FL	42,000		
PGT Wellness Center, North Venice, FL		3,600	
Leased:			
James Street Storage, Venice, FL	15,000		
Center Court, Venice, FL	19,600	15,400	
Endeavor Court, Nokomis, FL		2,300	
Endeavor Court, Nokomis, FL		6,100	
Technology Park, Nokomis, FL		1,800	
Sarasota Warehouse, Bradenton, FL			48,000
Plant and Administrative Offices, Miami, FL	90,000	17,000	
Total square feet	690,600	61,200	48,000

On August 16, 2013, we purchased land to build our new glass operations plant. We officially broke ground on January 9, 2014, and completed construction during 2014. The new glass plant became operational late in the third quarter of 2014. This new facility adds 96,000 square foot to our current glass cutting, tempering and laminating process. We also own three additional parcels of land available for future growth.

Our leases listed above expire between December 2015 and September 2016. Each of the leases provides for a fixed annual rent. The leases require us to pay taxes, insurance and common area maintenance expenses associated with the properties.

All of our owned properties secure borrowings under our credit agreement. We believe all of these operating facilities are adequate in capacity and condition to service existing customer needs.

Item 3. ***LEGAL PROCEEDINGS***

We are involved in various claims and lawsuits incidental to the conduct of our business in the ordinary course. We carry insurance coverage in such amounts in excess of our self-insured retention as we believe to be reasonable under the circumstances and that may or may not cover any or all of our liabilities in respect of claims and lawsuits. We do not believe that the ultimate resolution of these matters will have a material adverse impact on our financial position, cash flows or results of operations.

Item 4. ***MINE SAFETY DISCLOSURES***

Not Applicable

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PART II

Item 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Our Common Stock is traded on the NASDAQ Global Market ® under the symbol PGTI . On March 10, 2015, the closing price of our Common Stock was $10.71 as reported on the NASDAQ Global Market. The approximate number of stockholders of record of our Common Stock on that date was 50, although we believe that the number of beneficial owners of our Common Stock is substantially greater.

The table below sets forth the price range of our Common Stock during the periods indicated:

	High	Low
2014		
1st Quarter	$ 12.61	$ 9.75
2nd Quarter	$ 11.93	$ 7.87
3rd Quarter	$ 10.97	$ 7.34
4th Quarter	$ 10.26	$ 8.25

	High	Low
2013		
1st Quarter	$ 8.22	$ 4.22
2nd Quarter	$ 9.25	$ 6.23
3rd Quarter	$ 11.69	$ 8.58
4th Quarter	$ 11.00	$ 8.84

Dividends

We do not pay a regular dividend. Any determination relating to dividend policy will be made at the discretion of our Board of Directors. The terms of our credit facility currently restrict our ability to pay dividends.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders under the caption Security Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information, which information is incorporated herein by reference.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

On November 15, 2012, the Board of Directors authorized and approved a share repurchase program of up to $20 million. All share repurchases were made in accordance with Rule 10b5-1 and Rule 10b-18, as applicable, of the Securities Exchange Act of 1934 as to the timing, pricing, and volume of such transactions. During 2014, we acquired

93,081 shares of our common stock at a cost of approximately $1.0 million, bringing our total shares acquired to 2,089,853 at a total cost of $11.1 million. These shares were placed in treasury. During the second quarter of fiscal 2013, we repurchased 6,791,171 shares of our common stock from JLL Partners Fund IV, L.P. We purchased these shares at a price per share of $7.36, which represented the offering price to the public in a concurrent secondary offering, less the underwriting discounts and commissions. These shares were cancelled and retired.

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Performance Graph

The following graphs compare the percentage change in PGT, Inc. s cumulative total stockholder return on its Common Stock with the cumulative total stockholder return of the Standard & Poor s Building Products Index and the NASDAQ Composite Index over the period from January 2, 2010, to January 3, 2015.

COMPARISON OF 60 MONTH CUMULATIVE TOTAL RETURN*

AMONG PGT, INC., THE NASDAQ COMPOSITE INDEX,

AND THE S&P BUILDING PRODUCTS INDEX

* $100 invested on January 2, 2010 in stock or in index-including reinvestment of dividends for 60 months ending January 3, 2015.

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Item 6. ***SELECTED FINANCIAL DATA***

The following table sets forth selected historical consolidated financial information and other data as of and for the periods indicated and have been derived from our audited consolidated financial statements.

All information included in the following tables should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in Item 7, and with the consolidated financial statements and related notes in Item 8. All years presented consisted of 52 weeks, except for the year ended January 3, 2015, which consisted of 53 weeks.

Selected Consolidated Financial Data (in thousands except per share data)	**Year Ended January 3, 2015**	**Year Ended December 28, 2013**	**Year Ended December 29, 2012**	**Year Ended December 31, 2011**	**Year Ended January 1, 2011**
Net sales	$ 306,388	$ 239,303	$ 174,540	$ 167,276	$ 175,741
Cost of sales	213,596	159,169	114,872	128,171	125,615
Gross profit	92,792	80,134	59,668	39,105	50,126
Impairment charges (1)				5,959	5,561
Gain on sale of assets held (2)		(2,195)			
Selling, general and administrative expenses	56,377	54,594	47,094	48,619	53,879
Income (loss) from operations	36,415	27,735	12,574	(15,473)	(9,314)
Interest expense	5,960	3,520	3,437	4,168	5,123
Debt extinguishment costs	2,625	333			
Other expense (income), net (3)	1,750	437	72	(419)	(19)
Income (loss) before income taxes	26,080	23,445	9,065	(19,222)	(14,418)
Income tax expense (benefit)	9,675	(3,374)	110	(2,324)	77
Net income (loss)	$ 16,405	$ 26,819	$ 8,955	$ (16,898)	$ (14,495)
Net income (loss) per common share:					
Basic	$ 0.35	$ 0.55	$ 0.17	$ (0.31)	$ (0.29)
Diluted	$ 0.33	$ 0.51	$ 0.16	$ (0.31)	$ (0.29)
Weighted average shares outstanding:					
Basic	47,376	48,881	53,620	53,659	50,174
Diluted	49,777	52,211	55,262	53,659	50,174
Other financial data:					
Depreciation	$ 4,534	$ 4,622	$ 5,731	$ 7,590	$ 9,180
Amortization	1,446	6,458	6,502	6,502	6,028

	As Of January 3, 2015 (4)	**As Of December 28, 2013**	**As Of December 29, 2012**	**As Of December 31, 2011**	**As Of January 1, 2011**
Balance Sheet data:					

Cash and cash equivalents	$ 42,469	$ 30,204	$ 18,743	$ 10,940	$ 22,012
Total assets	311,749	156,632	141,317	142,835	169,119
Total debt, including current portion	193,754	77,255	37,500	45,550	50,163
Shareholders equity	73,976	49,075	74,210	67,362	83,042

(1) In 2011, amounts relate to intangible asset impairment charges. In 2010, amount relates to write-down of the value of our Salisbury, NC property, and certain other equipment of the Company. See Notes 2 and 8 in Item 8.

(2) Relates to the sale of the Salisbury, NC facility. The net selling price of the facility was approximately $7.5 million and the carrying value of the asset at the time of sale was $5.3 million.

(3) In 2014 and 2013, this relates to a combination of derivative financial instruments and deferred financing costs.

(4) Late in the third quarter of 2014, we acquired CGI. See Note 4 in Item 8.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Our Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with our Consolidated Financial Statements and related Notes included in Item 8. We also advise you read the risk factors in Item 1A. Our MD&A is presented in seven sections:

- Executive Overview;
- Results of Operations;
- Liquidity and Capital Resources;
- Disclosures of Contractual Obligations and Commercial Commitments;
- Critical Accounting Estimates;
- Recently Issued Accounting Standards; and
- Forward Outlook

EXECUTIVE OVERVIEW

Sales and Operations

On February 25, 2015, we issued a press release and on February 26, 2015, we held a conference call to review the results of operations for our fourth quarter and fiscal year ended January 3, 2015. During the call, we also discussed current market conditions and progress made regarding certain of our initiatives. The overview and estimates contained in this report are consistent with those given in our press release and discussed on the call. We are neither updating nor confirming that information.

Resulting from the improvement in the housing market as well our marketing programs focused on taking market share with our WinGuard products, our sales grew 28.0% to $306.4 million, our highest net sales since 2007. Gross profit increased 15.8% and we continued to leverage selling, general and administrative expenses which, as a percent of sales, decreased to 18.4%, compared to 22.8% in 2013. However, our net income was $16.4 million, a decrease of $10.4 million when compared to 2013 s net income of $26.8 million. The decrease in net income was primarily the result of the reversal of the valuation allowance on deferred tax assets in 2013, which resulted in an income tax benefit of $3.4 million for 2013 compared to an income tax expense of $9.7 million in 2014, a factor that caused net income to decrease by $13.1 million.

In terms of sales strategies, we continued our strategic focus of concentrating our resources in our core market, Florida, and implemented promotional activities to gain market share. We also established programs and partnerships with national accounts to increase our sales presence. As a result of our efforts and the improving macro-economic conditions, specifically in Florida, sales during 2014 increased $67.1 million, or 28.0%, compared to 2013. New construction sales increased $39.5 million, or 52.2%, while repair and remodel sales increased by $27.6 million, or 16.8%. CGI sales in 2014 include $5.0 million of new construction sales and $8.3 million of repair and remodeling sales. By region, our sales in Florida increased $56.9 million, or 26.6%, including $12.0 million of sales in Florida from CGI, and sales in the out of state markets increased $6.2 million, or 33.2%. Sales in the international markets increased $4.0 million, or 60.6%, including $1.3 million of international sales from CGI.

By product category, sales in our impact lines increased $56.9 million, or 31.0%, including $13.3 million from CGI. All of CGI s products are impact-resistant. This increase was driven by our WinGuard products which increased $38.5 million, or 22.4%. Within WinGuard, Vinyl WinGuard products increased $11.7 million, or 31.4%, and Aluminum WinGuard products increased $26.8 million, or 19.9%. Sales in our Architectural System line increased by $11.6 million, while sales in our Storefront product introduced last year increased $1.5 million. Our PremierVue product sales increased $2.0 million. Sales of our other non-impact products increased by $10.2 million overall, including a $1.8 million increase in Eze-Breeze product sales. CGI s sales of impact products of $13.3 million included $6.8 million from their Estate Collection products, $5.7 million from its Sentinel line, and $0.8 million of Targa products.

Looking at 2015 and beyond, we completed our new glass facility late in the third quarter of 2014. This new glass facility increases our internal capacities for glass processing which reduces our reliance on outsourced finished glass products. We are currently in the second phase of this project, which includes adding laminating and insulating equipment to our new facility. Moody s forecast for 2015 suggests a 14% increase in new single family home construction,

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while the repair and remodeling market is expected to record a slow but steady improvement. While we expect continued sales growth driven by the improving new construction market, we will continue to make investments to gain market share in both the new construction and repair and remodeling markets.

Liquidity and Cash Flow

During 2014, we generated $22.3 million in cash flow from operations, which was used to fund working capital needs, service our long-term debt, and capital expenditures of $19.3 million, including the construction of our new glass processing facility. Late in the third quarter of 2014, we entered into a new senior secured credit facility which includes a $200 million term loan and $35 million revolving line of credit. This new facility increased our outstanding debt to $200 million, the proceeds from which we used to acquire CGI, including the payment of financing costs, and to repay existing long-term debt which at that time was $79 million which was the result of a debt refinancing we consummated in May 2013. The proceeds from the 2013 refinancing was used to fund our stock repurchase from JLL Partners.

RESULTS OF OPERATIONS

Analysis of Selected Items from our Consolidated Statements of Operations

(in thousands, except per share amounts)	Year Ended January 3, 2015	December 28, 2013	December 29, 2012	Percent Change Increase / (Decrease) 2014-2013	2013-2012
Net sales	$ 306,388	$ 239,303	$ 174,540	28.0%	37.1%
Cost of sales	213,596	159,169	114,872	34.2%	38.6%
Gross profit	92,792	80,134	59,668	15.8%	34.3%
Gross margin	30.3%	33.5%	34.2%		
Gain on sale of assets held		(2,195)			
SG&A expenses	56,377	54,594	47,094	3.3%	15.9%
SG&A expenses as a percentage of sales	18.4%	22.8%	27.0%		
Income from operations	36,415	27,735	12,574		
Interest expense, net	5,960	3,520	3,437		
Debt extinguishment costs	2,625	333			
Other expenses, net	1,750	437	72		
Income tax expense (benefit)	9,675	(3,374)	110		
Net income	$ 16,405	$ 26,819	$ 8,955		
Net income per common share:					
Basic	$ 0.35	$ 0.55	$ 0.17		
Diluted	$ 0.33	$ 0.51	$ 0.16		

2014 Compared with 2013

Net sales

Net sales for 2014 were $306.4 million, a $67.1 million, or 28.0%, increase in sales from $239.3 million in the prior year.

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The following table shows net sales classified by major product category (in millions, except percentages):

	Year Ended				
	January 3, 2015		December 28, 2013		
	Sales	% of sales	Sales	% of sales	% change
Product category:					
Impact window and door products	$ 240.3	78.4%	$ 183.4	76.6%	31.0%
Other window and door products	66.1	21.6%	55.9	23.4%	18.2%
Total net sales	$ 306.4	100.0%	$ 239.3	100.0%	28.0%

Net sales of our impact window and door products, which include our WinGuard, Architectural Systems, Storefront and PremierVue products, as well as sales of $13.3 million from CGI, were $240.3 million in 2014, an increase of $56.9 million, or 31.0%, from $183.4 million in the prior year. This increase was driven mainly by our WinGuard products, which increased $38.5 million, or 22.4%, due to the improved new construction housing market, and our promotional and marketing activities. Within our WinGuard products, Vinyl WinGuard grew $11.7 million, or 31.4%, and Aluminum WinGuard grew $26.8 million, or 19.9%. Also contributing to our overall increased sales was an increase in our Architectural System products, up $1.6 million, our Storefront product, which grew $1.5 million, and our PremierVue products, which grew $2.0 million.

Net sales of other window and door products, which includes aluminum and vinyl non-impact, and Eze-Breeze, were $66.1 million in 2014, an increase of $10.2 million, or 18.2%, from $55.9 million for the prior year. Sales of our aluminum products increased $3.1 million, or 12.9%, and sales of our Vinyl products increased $5.3 million, or 30.5%, due in large part to the increased new construction activity and our ability to provide customers with one stop shopping for all window and door needs. The Eze-Breeze line increased sales by $1.8 million due to improvement in market conditions and a new agreement with a large mid-western retailer.

Gross profit and gross margin

Gross profit was $92.8 million in 2014, an increase of $12.7 million, or 15.8%, from $80.1 million in the prior year. The gross margin percentage was 30.3% in 2014 compared to 33.5% in the prior year, a decrease of 3.2%. Gross margin was negatively impacted by 1.5% due to excess labor and overhead costs resulting from the hiring and training of new manufacturing employees to meet the increased demand for our products. In addition, gross margin was negatively impacted by 1.3% due to increased material costs due to an increase in aluminum prices during 2014 as well as our need to purchase finished glass from outside suppliers due to certain internal capacity constraints. In response to these constraints, during 2014, we completed the construction of a new glass processing facility which became operational late in the third quarter of 2014 but for which gross margin was negatively impacted by 0.5% due to start-up costs of the new glass facility. Our gross margin was also negatively impacted by 0.5% due to pricing and product mix, including pricing and mix on certain large projects done during 2014. Lastly, 2014 was a 53-week year which included an extra week of fixed costs in the fourth quarter during which we had no sales activity. The fixed costs from this extra week resulted in a negative impact to gross margin of 0.3%. These items were offset by leverage on higher sales volume of 0.6% and the addition of CGI, which benefited gross margin by 0.3%.

Selling, general and administrative expenses

Selling, general and administrative expenses were $56.4 million, an increase of $1.8 million, or 3.3%, from $54.6 million in the prior year. As a percentage, we leveraged these costs to 18.4%, a decrease of 4.4% from 22.8% from fiscal year 2013. Selling, general, and administrative expenses includes $3.0 million related to CGI. Excluding CGI, selling, general and administrative costs decreased $1.2 million. Contributing to the decrease was a decrease of $6.0 million in intangible assets amortization expense due to our amortizable intangible assets, not including those acquired with the acquisition of CGI, becoming fully amortized early in 2014. There was also a $0.3 million decrease in depreciation expense and a $0.2 million decrease in professional, consulting and public company fees and costs. Offsetting these decreases, was a $5.3 million increase in selling and distribution costs as the result of an increase in volume.

Interest expense

Interest expense was $6.0 million in 2014, an increase of nearly $2.5 million from $3.5 million in the prior year. During 2014, concurrent with the acquisition of CGI late in the third quarter of 2014, we refinanced our then existing credit agreement into a new $200 million senior secured credit facility which increased our outstanding debt balance to $200 million, up from $79.0 million at the end of 2013. The increase in interest expense was due primarily to the increase in outstanding debt under the new credit facility and resulting increase in average outstanding debt balance during 2014 compared to 2013.

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Debt extinguishment costs

In 2014, there were write-offs of deferred financing costs of $2.6 million relating to the debt refinancing resulting from entering into the 2014 Credit Agreement. In 2013, the write-off of deferred financing costs relating to the debt refinancing resulting from entering into the 2013 Credit Agreement totaled $0.3 million.

Other expenses, net

Other expenses, net were $1.8 million and $0.4 million in 2014 and 2013, respectively. In 2014, other expenses includes expenses related to termination of our interest rate swap agreement of $1.5 million and the ineffective portion of our aluminum hedging activity of $0.2 million. There was other expense of less than $0.1 million in 2014 relating to the interest rate cap. In 2013, the expense relates to the ineffective portion of our aluminum hedging activity.

Income tax expense (benefit)

Our income tax expense was $9.7 million for 2014, representing an effective tax rate of 37.1%, slightly lower than our combined statutory federal and state tax rate of 38.8% as the result of the section 199 domestic manufacturing deduction. In 2013, we had a tax benefit of $3.4 million as we released our valuation allowances on deferred tax assets as we were no longer in a cumulative loss position and we concluded that it was more likely than not that our deferred tax assets will be realized. Excluding the impact of the 2013 reversal of the valuation allowance, our effective tax rate would have been 40.7% in 2013.

2013 Compared with 2012

Net sales

Net sales for 2013 were $239.3 million, a $64.8 million, or 37.1%, increase in sales from $174.5 million in the prior year.

The following table shows net sales classified by major product category (in millions, except percentages):

	Year Ended				
	December 28, 2013		December 29, 2012		
	Sales	% of sales	Sales	% of sales	% change
Product category:					
Impact window and door products	$ 183.4	76.6%	$ 130.1	74.5%	41.0%
Other window and door products	55.9	23.4%	44.4	25.5%	25.9%
Total net sales	$ 239.3	100.0%	$ 174.5	100.0%	37.1%

Net sales of our impact window and door products, which include our WinGuard, Architectural Systems, Storefront and PremierVue products were $183.4 million in 2013, an increase of $53.3 million, or 41.0%, from $130.1 million in the prior year. This increase was driven mainly by our WinGuard products, which increased $49.5 million, or 40.4%, due to the improved new construction housing market, and our promotional and marketing activities. Within our WinGuard products, Vinyl WinGuard grew $14.1 million, or 60.8%, and Aluminum WinGuard grew $35.4 million, or 35.8%. Also contributing to our overall increased sales was an increase in our Architectural System products, up $2.3

million, and our new product Storefront with sales of $0.7 million.

Net sales of other window and door products, which include aluminum and vinyl non-impact, and Eze-Breeze, were $55.9 million in 2013, an increase of $11.5 million, or 25.9%, from $44.4 million for the prior year. Sales of our aluminum products increased $4.7 million, or 24.2%, and sales of our Vinyl products increased $5.1 million, or 41.5%, due in large part to the increased new construction activity and our ability to provide customer with one stop shopping for all window and door needs. The Eze-Breeze line increased sales by $2.4 million due to improvement in market conditions and a new agreement with a large mid-western retailer.

Gross profit and gross margin

Gross profit was $80.1 million in 2013, an increase of $20.5 million, or 34.3%, from $59.7 million in the prior year. The gross margin percentage was 33.5% in 2013 compared to 34.2% in the prior year. Cost of goods sold was negatively impacted by $4.2 million, or 1.7%, in excess material and labor costs resulting from the hiring and training of over 300 new manufacturing employees to meet the increased demand for our products. In addition, due to certain internal capacity constraints, cost of goods sold was negatively impacted as a result of purchasing finished glass and other material from outside suppliers by $2.6 million, or 1.1%. Lastly, we were negatively impacted by a mix change resulting in a decrease of $1.5 million, or 0.6%. These items were offset by leverage on higher sales volume of 2.5%, and a product price increase effective in the fourth quarter which impacted margins 0.2%.

Gain on sale of assets held

In 2013, we sold the North Carolina plant for a gain of $2.2 million. The $2.2 million represents the net selling price of approximately $7.5 million less the asset s carrying value at the time of the sale of approximately $5.3 million.

Selling, general and administrative expenses

Selling, general and administrative expenses were $54.6 million, an increase of $7.5 million, or 15.9%, from $47.1 million in the prior year. As a percentage, we leveraged these costs to 22.8%, a decrease of 4.2% from 27.0% from fiscal year 2012. In terms of dollars, selling, general and administrative expenses includes increased charges related to employee compensation and insurance costs of $4.4 million. Also contributing to the increase was additional charges for trade promotions and marketing materials of $1.7 million, and credit card fees of $0.7 million resulting from increased sales. Offsetting these increased costs was a $0.7 million decrease due to improved quality control of finished products and enhanced quality control procedures before shipping.

Interest expense

Interest expense was $3.5 million in 2013, a slight increase of $0.1 million from $3.4 million in the prior year. During 2013, we entered into a new debt agreement which increased our balance to $80 million in the second quarter of 2013, up from a $37.5 million debt balance at the end of 2012. Our interest expense increased slightly from prior year due to the increased debt balance, while offset by decreased interest rates from the new agreement, and decreased deferred financing costs.

Debt extinguishment costs

In 2013, the write-off of deferred financing costs relating to the debt refinancing resulting from entering into the 2013 Credit Agreement totaled $0.3 million.

Other expenses, net

Other expenses, net were $0.4 million and $0.1 million in 2013 and 2012, respectively. In both 2013 and 2012, the expense related to the ineffective portion of our aluminum hedging activity.

Income tax (benefit) expense

Our income tax benefit was $3.4 million for the year ended December 28, 2013. As we released our valuation allowances on deferred tax assets, we released our valuation allowance as we are no longer in a cumulative loss position and it is more likely than not, that our deferred tax assets will be realized.

Excluding the impact of the 2013 reversal of the valuation allowance, as well as the impact of the valuation allowance in 2012, our 2013 and 2012 effective tax rates would have been 40.7% and 40.3% for each year, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity is cash flow generated by operations, supplemented by borrowings under our credit facility. This cash generating capability provides us with financial flexibility in meeting operating and investing needs. Our primary capital requirements are to fund working capital needs, and to meet required debt payments, including debt service payments on our credit facilities and fund capital expenditures.

Consolidated Cash Flows

Operating activities. Cash provided by operating activities was $22.3 million for 2014 compared to $25.7 million for 2013 and $23.2 million for 2012. The decrease in cash flows from operations of $3.4 million in 2014 was primarily due to an increase in payments to vendors of $44.1 million as the result of higher procurements of inventory due to increased sales, an increase in personnel related disbursements of $29.7 million due to the higher level of employees during 2014 compared to 2013 to support the increase in demand for our products, and an increase in debt service costs of $1.7 million due to the higher level of debt as the result of the refinancing and acquisition of CGI, which increased outstanding debt to $200 million from $79 million late in the third quarter of 2014. These decreases were partially offset by an increase of $74.9 million in collections from customers as the result of the sales

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level increase during 2014 compared to 2013. Other collections of cash and other cash activity also decreased by a net of $2.8 million primarily due to a decrease in scrap aluminum sales and cash payments of estimated federal tax payments of $1.2 million in 2014 compared to none in 2013.

The increase in cash flow from operations in 2013 was primarily due to the higher sales volume experienced in 2013, which after the impact of increased working capital to support the higher sales contributed approximately $13.1 million. Decreasing our cash flow was $2.9 million in increased costs from the outside purchase of finished glass and $7.7 million due to the hiring of new employees, both direct and indirect, to keep up with increased sales demand.

Direct cash flows from operations for 2014, 2013 and 2012 are presented below:

	Direct Operating Cash Flows		
(in millions)	**2014**	**2013**	**2012**
Collections from customers	$ 313.4	$ 238.5	$ 178.1
Other collections of cash	3.0	5.3	2.3
Disbursements to vendors	(191.1)	(147.0)	(98.1)
Personnel related disbursements	(97.9)	(68.2)	(56.0)
Debt service costs	(4.5)	(2.8)	(2.8)
Other cash activity, net	(0.6)	(0.1)	(0.3)
Cash from operations	$ 22.3	$ 25.7	$ 23.2

The majority of other collections of cash are from scrap aluminum sales. Other cash activity, net, in 2014 includes estimated payments of federal income taxes of $1.2 million.

Day s sales outstanding (DSO), which we calculate as accounts receivable divided by average daily sales, was 34 days on January 3, 2015, compared to 35 days on December 28, 2013, and compared to 32 days on December 29, 2012. The decrease in DSO s in 2014 from 2013 was a lower level of sales at the end of 2014 compared to 2013 due to the one-week holiday shutdown we had at the end of 2014. The increase in DSO in 2013 from 2012 was primarily due to an increase in larger commercial customers with longer payment terms and some customers changing payment plans from cash on delivery (COD) to longer payment terms. The decrease in DSO in 2012 from 2011 is the result of improved collection efforts and improved market conditions.

Inventory on hand as of January 3, 2015, was $20.0 million compared to $12.9 million at December 28, 2013, an increase of $7.1 million. The increase includes inventory acquired with CGI of $3.2 million. Additionally, finished goods inventory at January 3, 2015, was higher than at December 28, 2013, due to the higher sales level expected in January 2015 than at year-end 2013 for January 2014. At December 28, 2013, inventory was $12.9 million, an increase of $1.4 million as compared to December 29, 2012, while sales increased 37.1%. Our inventory consists principally of raw materials purchased for the manufacture of our products and limited finished goods inventory as all products are, made-to-order products. Our inventory levels are more closely aligned with our number of product offerings rather than our level of sales. We have maintained our inventory level to have (i) raw materials required to support new product launches; (ii) a sufficient level of safety stock on certain items to ensure an adequate supply of material given a sudden increase in demand and our short lead-times; and (iii) adequate lead times for raw materials purchased from overseas suppliers in bulk supply. Inventory turns for the year ended January 3, 2015, was 13.0, which increased from 11.4 for the year ended December 28, 2013. Inventory turns for the year ended December 28, 2013, increased to 11.4 from 9.7 as compared to the year ended December 29, 2012.

Management monitors and evaluates raw material inventory levels based on the need for each discrete item to fulfill short-term requirements calculated from current order patterns and to provide appropriate safety stock. Because all our products are made-to-order, we have only a small amount of finished goods and work in progress inventory. Because of these factors, our inventories are not excessive, and we believe the value of such inventories will be realized.

Investing activities. Cash used in investing activities was $129.7 million compared to $0.1 million for 2013, an increase in cash used of $129.6 million. We used $110.4 million in cash to acquire CGI in 2014. We also constructed a new glass processing facility in 2014, increasing cash used for capital expenditures in 2014 to $19.3 million from $7.6 million in 2013, an increase in cash used of $11.7 million. We disposed of assets in 2013, primarily our Salisbury, NC facility, resulting in proceeds of $7.5 million.

Cash used in investing activities was $0.1 million for 2013 compared to cash used in investing activities of $3.3 million for 2012. The decrease in cash used in investing activities was due to capital spending of $7.6 million offset by cash from the proceeds of sales of assets for $7.5 million.

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Financing activities. Cash provided by financing activities was $119.8 million in 2014, compared to $14.2 million of cash used in financing activities in 2013, an increase in cash of $134.0 million. In 2014, we refinanced our then existing credit facility into a new, senior secured credit facility of $200 million with a $35 million revolving line of credit. The proceeds from this new credit facility totaled $198 million, which was an increase of $118.0 million in proceeds from long-term debt from 2013 s debt refinancing. We made repayments of long-term debt of $79.5 million during 2014, including $79.0 million in proceeds from our new senior secured credit facility to repay our then existing credit facility, and used $0.5 million to make a scheduled principal payment under the new credit facility, an increase in payments of long-term debt of $41.0 million. We also used $5.5 million of the proceeds to pay financing costs, an increase of $1.9 million of cash used for financing costs from 2013. In 2014, we made additional purchases of treasury stock totaling $1.0 million, a decrease in cash used of $55.1 million for the purpose of acquiring treasury shares. We had proceeds from exercise of stock options during 2014 of $1.7 million, a decrease of $1.9 million in cash proceeds from option exercises, and recognized excess tax benefits from exercised options of $6.1 million in 2014, an increase of $5.7 million from 2013.

Cash used in financing activities was $14.2 million in 2013. We received proceeds from the exercise of stock options of $3.6 million, the tax benefit received for stock options exercised of $0.4 million, as well as $80.0 million from the issuance of new debt. These proceeds were offset by paying off the outstanding debt under the old credit agreement of $38.5 million, deferred financing cost of $3.6 million related to the issuance of the new debt, and the payment of $56.1 million for the purchase of treasury stock.

Cash used in financing activities was $12.1 million in 2012. We prepaid an additional $8.0 million of our long-term debt, paid $3.9 million for stock repurchases, and paid $0.1 million of deferred financing cost related to an amendment to our credit agreement.

Capital Expenditures. Capital expenditures vary depending on prevailing business factors, including current and anticipated market conditions. We spent substantially more in 2014 than in 2013 due to the construction of our new glass processing facility and new ERP system. For 2014, capital expenditures were $19.3 million compared to $7.6 million in 2013. We anticipate that cash flows from operations and liquidity from the revolving credit facility, if needed, will be sufficient to execute our business plans. Management expects to spend between $15 million and $18 million in 2015, including capital expenditures related to the second phase of the new glass plant, primarily acquiring new glass laminating and insulating equipment, continued investments in our ERP system and product investments in lines targeted at increasing both gross sales and margins.

Capital Resources. On September 22, 2014, we entered into a Credit Agreement (the 2014 Credit Agreement), among us, the lending institutions identified in the 2014 Credit Agreement, and Deutsche Bank AG New York Branch, as Administrative Agent and Collateral Agent. The 2014 Credit Agreement establishes new senior secured credit facilities in an aggregate amount of $235.0 million, consisting of a $200.0 million Term B term loan facility maturing in seven years that will amortize on a basis of 1% annually during the seven-year term, and a $35.0 million revolving credit facility maturing in five years that includes a swing line facility and a letter of credit facility. Our obligations under the 2014 Credit Agreement are secured by substantially all of our assets as well as our direct and indirect subsidiaries assets. As of January 3, 2015, there were $0.5 million of letters of credit outstanding and $34.5 million available on the revolver.

Interest on all loans under the 2014 Credit Agreement is payable either quarterly or at the expiration of any LIBOR interest period applicable thereto. Borrowings under the term loans and the revolving credit facility accrue interest at a rate equal to, at our option, LIBOR (with a floor of 100 basis points in respect of the term loan), or a base rate (with a floor of 200 basis points in respect of the term loan) plus an applicable margin. The applicable margin is 425 basis points in the case of LIBOR and 325 basis points in the case of the base rate. We will pay quarterly fees on the unused portion of the revolving credit facility equal to 50 basis points per annum as well as a quarterly letter of credit fee at 425 basis points per annum on the face amount of any outstanding letters of credit.

The 2014 Credit Agreement contains a springing financial covenant, if we draw in excess of twenty percent (20%) of the revolving facility, which requires us to maintain a maximum total net leverage ratio (based on the ratio of total debt for borrowed money to trailing EBITDA, each as defined in the 2014 Credit Agreement), and will be tested quarterly based on the last four fiscal quarters and is set at levels as described in the 2014 Credit Agreement. As of January 3, 2015, no such test is required as we have not exceeded 20% of our revolving capacity.

The 2014 Credit Agreement also contains a number of affirmative and restrictive covenants, including limitations on the incurrence of additional debt, liens on property, acquisitions and investments, loans and guarantees, mergers, consolidations, liquidations and dissolutions, asset sales, dividends and other payments in respect of our capital stock, prepayments of certain debt and transactions with affiliates. The 2014 Credit Agreement also contains customary events of default. Upon the occurrence of an event of default, the amounts outstanding under the 2014 Credit Agreement may be accelerated and may become immediately due and payable.

In connection with entering into the 2014 Credit Agreement, on September 22, 2014, we terminated our prior credit agreement, dated as of May 28, 2013, among PGT Industries, Inc., as the borrower, the Company, as guarantor, the lenders from time to time party thereto and SunTrust Bank, as administrative agent and collateral agent (the 2013 Credit Agreement). Proceeds from the term loan facility under the 2014 Credit Agreement were used to repay amounts outstanding under the 2013 Credit Agreement and the acquisition of CGI, and certain fees and expenses.

When entering into the 2013 Credit Agreement, we terminated our prior credit agreement, dated as of June 23, 2011, among PGT Industries, Inc., as the borrower, the Company, as guarantor, the lenders from time to time party thereto and General Electric Capital Corporation, as administrative agent and collateral agent (the 2011 Credit Agreement). Proceeds from the term loan facility under the 2013 Credit Agreement were used to repay amounts outstanding under the 2011 Credit Agreement, repurchase shares of our common stock having an aggregate value of approximately $50 million, and pay certain fees and expenses.

On September 16, 2013, we entered into two interest rate caps and an interest rate swap to hedge a portion of the 2013 Credit Agreement against volatility in future interest rates. At the time we entered into the 2014 Credit Agreement, we had one cap and the 2011 swap outstanding. As a result of the termination of the 2013 Credit Agreement, the underlying transactions relating to the cap and the swap were no longer probable of occurring and both instruments were de-designated and marked-to-market (See Note 9). During the fourth quarter of 2014, we terminated the swap with a payment of $1.4 million.

The face value of the Credit Agreement at the time of issuance was $200 million of which $0.5 million was repaid as a scheduled debt repayment in the fourth quarter of 2014. As of January 3, 2015, the face value of debt outstanding under the Credit Agreement was $199.5 million. There was a 1% discount, or $2.0 million, upon issuance of the debt under the Credit Agreement which we recorded as a discount and which is presented in the current and long-term portions of debt on the consolidated balance sheet as of January 3, 2015. The Company incurred issuance costs of $5.5 million, of which $3.8 million were classified as a discount and presented in the current and long-term portions of debt on the consolidated balance sheet as of January 3, 2015. The remainder of $1.7 million was reported as debt issuance costs in current assets and other assets on the consolidated balance sheet as of January 3, 2015.

At the time of the refinancing, we had debt issuance costs of $1.5 million recorded as discount presented in the current and long-term portions of debt and $1.7 million recorded as deferred financing fees presented in current and other assets relating to the 2013 Credit Agreement. Of these debt issuance costs, $0.2 million of costs recorded as discount and $0.4 million of costs recorded as deferred financing fees were not written-off as one of the lenders in the 2014 Credit Agreement was also a lender in the 2013 Credit Agreement and for which we treated the 2014 refinancing as a modification for purposes of the fees related to this carryover lender. The remaining debt issuance costs relating to the 2013 Credit Agreement of $2.6 million were written-off as debt extinguishment costs in other expenses, net, on the consolidated statements of operations for the year ended January 3, 2015.

At January 3, 2015, we had debt issuance costs of $5.7 million recorded as discount presented in the current and long-term portions of debt and $2.0 million recorded as deferred financing fees presented in current and other assets relating to the 2014 Credit Agreement. These debt issuance costs are being amortized to interest expense, net, under the effective interest method on the consolidated statements of operations and comprehensive income over the term of the 2014 Credit Agreement.

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Long-term debt consists of the following:

	January 3, 2015	December 28, 2013
	(in thousands)	
Term loan payable with a payment of $0.5 million due quarterly.		
A lump sum payment of $186.0 million is due on September 22, 2021. Interest is payable quarterly at LIBOR or the prime rate plus an applicable margin. At January 3, 2015, the average rate was 1.00% plus a margin of 4.25%.	$ 199,500	$
Term note payable with a payment of $1.0 million due quarterly.		
A lump sum payment of $63.0 million is due on May 28, 2018. Interest is payable monthly, or quarterly at LIBOR or the prime rate plus an applicable margin. At December 28, 2013, the average rate was 0.16% plus a margin of 3.00%.		79,000
Debt discount (1)	(5,746)	(1,745)
	193,754	77,255
Less current portion of long-term debt	(1,962)	(4,890)
Total	$ 191,792	$ 72,365

(1) Debt discount represents fees retained by or paid to the lender at time the debt was issued, and is accounted for as a reduction in the debt proceeds and is amortized over the life of the debt instrument.

DISCLOSURES OF CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following summarizes our contractual obligations as of January 3, 2015 (in thousands):

		Payments Due by Period			
Contractual Obligations	**Total**	**Current**	**2-3 Years**	**4-5 Years**	**Thereafter**
Long-term debt (1)	$ 266,015	$ 12,582	$ 24,786	$ 24,388	$ 204,259
Operating leases	4,190	1,684	2,483	23	
Supply agreements	2,603	2,603			
Equipment purchase commitments	2,172	2,172			
Total contractual cash obligations	$ 274,980	$ 19,041	$ 27,269	$ 24,411	$ 204,259

(1) - Includes estimated future interest expense on our long-term debt assuming the weighted average interest rate of 5.25% as of January 3, 2015, does not change.

The amounts reflected in the table above for operating leases represent future minimum lease payments under non-cancelable operating leases with an initial or remaining term in excess of one year at January 3, 2015. Purchase orders entered into in the ordinary course of business are excluded from the above table. Amounts for which we are liable are reflected on our consolidated balance sheet as accounts payable and accrued liabilities.

We are obligated to purchase certain raw materials used in the production of our products from certain suppliers pursuant to stocking programs. If all of these programs were cancelled by us, as of January 3, 2015, we would be required to pay $2.6 million for various materials.

At January 3, 2015, we had $0.5 million in standby letters of credit related to our worker s compensation insurance coverage, and commitments to purchase equipment of $2.2 million.

CRITICAL ACCOUNTING ESTIMATES

In preparing our consolidated financial statements, we follow U.S. generally accepted accounting principles. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations.

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On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such difference could be material. Our significant accounting policies are discussed in Item 8, Note 2. The following is a summary of our more significant accounting estimates that require the use of judgment in preparing the financial statements.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Long lived assets		
We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated, based on management estimates.	Estimates made by management are subject to change and include such things as how future growth assumptions, operating and capital expenditure requirements, asset useful lives and other factors, affect forecasted cash flows associated with the long-lived assets. Additionally, fair value estimates, if required, can be affected by discount rates and/or estimates of the value of similar assets.	We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate long-lived asset impairment losses. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to losses that could be material.
If such assets are considered to be impaired, the impairment recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell, and depreciation is no longer recorded.		
Allowances for doubtful accounts and notes receivable and related reserves		
Losses for allowances for doubtful accounts and notes receivable and related reserves are recognized when they are probable, which requires us to make our best estimate of probable losses inherent in our receivables.	We evaluate the allowance for doubtful accounts and notes receivable based on specific identification of troubled balances and historical collection experience adjusted for current conditions	Actual collections can differ from our estimates, requiring adjustments to the allowances. A 10% difference between actual losses and estimated losses derived from the estimated reserve for accounts and notes

such as the economic climate.

receivable would impact net income by approximately $0.1 million.

Goodwill

Goodwill represents the excess of the consideration paid in a business combination over the fair value of the identifiable net assets acquired. We test goodwill for impairment at our single reporting unit level at least annually or whenever events or circumstances indicate that the carrying value of goodwill may not be recoverable from future cash flows. We have the option of performing a qualitative assessment of impairment to determine whether any further quantitative testing for impairment is necessary. If we elect to bypass the qualitative assessment or if we determine, based on qualitative factors, that it is more likely than not that the fair value of our reporting unit is less than its carrying

Significant judgments and estimates are used in the determination our reporting unit s fair value. Discounted cash flow analyses utilize sensitive estimates, including projections of revenues and operating costs considering historical and anticipated future results, general economic and market conditions, discount rates, as well as the impact of planned business or operational strategies. Deterioration in economic or market conditions, as well as increased costs arising from the effects of regulatory or legislative changes may result in declines in our reporting unit s performance beyond current expectations. Declines in our reporting unit s performance, increases in

Actual results can differ from our estimates, requiring adjustments to our assumptions. The result of these changes could result in a material change in our calculation.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
amount, a two-step quantitative test is required. In Step 1, we compare the fair value of our reporting unit with its net carrying value, including goodwill. If the net carrying value of our reporting unit exceeds its fair value, we then perform Step 2 of the impairment test to measure the amount of impairment loss, if any. In Step 2, we allocate our reporting unit s fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value being allocated to goodwill (implied fair value of goodwill). If the carrying amount of our reporting unit s goodwill exceeds the implied fair value of that goodwill, we recognize an impairment loss in an amount equal to that excess up to the carrying value of goodwill. In performing the two-step quantitative assessment, fair value of the reporting unit is based on discounted cash flows, market multiples, and/or appraised values, as appropriate.	equity capital requirements, or increases in the estimated cost of debt or equity, could cause the estimated fair value of our reporting unit or its associated goodwill to decline, which could result in an impairment charge to earnings in a future period related to some portion of the associated goodwill. Our annual test of goodwill is done on the first day of our fourth quarter during a fiscal year. We did not perform a quantitative test of goodwill for impairment as our only goodwill related to the CGI acquisition (See Note 4). This goodwill resulted from allocating the purchase price to the net assets acquired in accordance with ASC 805, Business Combinations as of the Closing Date of September 22, 2014, and resulted in goodwill of $66.6 million. We concluded that the valuation date of September 22, 2014, and the date of our annual test of goodwill for impairment of September 28, 2014, were not significantly different and that a quantitative test for impairment of goodwill was not necessary. However, we completed a qualitative assessment of goodwill impairment on the first day of our fourth quarter of 2014. This qualitative assessment included an	

evaluation of relevant events and circumstances that existed at the date of our assessment. Those events and circumstances included conditions in the industry in which CGI operates, its competitive environment, the availability and costs of its raw materials and labor, the financial performance of CGI in the several days since its acquisition, and the market s reaction to our acquisition based on the change in our share price (or lack thereof) in the period following its announcement. We also considered that no new impairment indicators were identified in the six days from the date of acquisition to the date of our qualitative assessment. Based on that assessment, we concluded that it is more likely than not that the fair value of CGI exceeded its carrying value on the first day of our fourth quarter.

Indefinite lived Intangibles

The impairment evaluation of the carrying amount of intangible assets with indefinite lives (which for us is our trade names) is	In estimating fair value, the method we use requires us to make assumptions, the most material of which are net sales projections	Actual results can differ from our estimates, requiring adjustments to our assumptions. The result of these changes

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
conducted annually, or more frequently, if events or changes in circumstances indicate that an asset might be impaired. The evaluation is performed by comparing the carrying amount of these assets to their estimated fair values. If the estimated fair value is less than the carrying amount of the intangible asset, then an impairment charge is recorded to reduce the asset to its estimated fair value. The estimated fair value is determined using the relief from royalty method that is based upon the discounted projected cost savings (value) attributable to ownership of our trade names, our only indefinite lived intangible assets.	attributable to products sold with these trade names, the anticipated royalty rate we would pay if the trade names were not owned (as a percent of net sales), and a weighted average discount rate. These assumptions are subject to change based on changes in the markets in which these products are sold, which impact our projections of future net sales and the assumed royalty rate. Factors affecting the weighted average discount rate include assumed debt to equity ratios, risk-free interest rates and equity returns, each for market participants in our industry.	could result in a material change in our calculation and an impairment of our trade names.
	Our annual test of trade names, performed as of September 28, 2014 (the first day of our 2014 fourth quarter), utilized a weighted average royalty rate of 3.9% and a discount rate of 13.4%. Net sales used in the analysis were based on historical experience and a modest growth over the next five years. We believe our projected sales are reasonable based on the available information regarding our industry and the core markets that we serve. We also believe the royalty rate is appropriate and could improve over time based on the market trends and information, including that which is set forth above. The discount rate was based on the current financial market trends and will remain dependent on such trends in the future.	

As of September 28, 2014 (the first day of our 2014 fourth quarter), the estimated fair value of the trade names for which we performed an annual test for impairment exceeded book value by approximately 144% or $55.3 million. We believe our projected sales are reasonable based on, among other things, available information regarding our industry. We also believe the royalty rate is appropriate. The weighted average discount rate is impacted by current financial market trends and will remain dependent on such trends in the future. Absent offsetting changes in other factors, a 1% increase in the discount rate would decrease the estimated fair value of our trademarks by approximately $7.8 million but would not result in impairment.

Our annual test of trade names for impairment did not include a quantitative test of the trade names indefinite lived intangible asset acquired in the CGI acquisition (See Note 4). A valuation of

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
	this trade name intangible was conducted for purposes of allocating the purchase price to the net assets acquired in accordance with ASC 805, Business Combinations as of the Closing Date of September 22, 2014, and resulted in a value of $19.0 million. We concluded that the valuation date of September 22, 2014, and the date of our annual test of indefinite lived intangibles assets for impairment of September 28, 2014, were not significantly different and that a quantitative test for impairment of this intangible asset was not necessary.	
	However, we completed a qualitative assessment of this indefinite-lived intangible asset on the first day of our fourth quarter of 2014. This qualitative assessment included an evaluation of relevant events and circumstances that existed at the date of our assessment. Those events and circumstances included conditions in the industry in which our reporting unit at which this indefinite-lived intangible asset is recorded operates, its competitive environment, the availability and costs of its raw materials and labor, the financial performance of our reporting unit in the several days since its acquisition, and the market s reaction to our acquisition based on the change in our share price (or lack thereof) in the period following its announcement. We also considered that no new	

impairment indicators were identified in the six days from the date of valuation of this indefinite-lived intangible asset to the date of our qualitative assessment. Based on that assessment, we concluded that it is more likely than not that our reporting unit s trade name is not impaired.

Income Taxes Valuation Allowance

A valuation allowance is recorded against a deferred tax asset if, based on the weight of available evidence, it is more-likely-than-not (a likelihood of more than 50%) that some portion, or all, of the deferred tax asset will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient positive evidence from the sources listed below:

The four sources of taxable income to be considered in determining whether a valuation allowance is required include:

future reversals of existing taxable temporary differences;

Determining whether a valuation allowance for deferred tax assets is necessary requires an analysis of both positive and negative evidence regarding realization of the deferred tax assets. Examples of positive evidence may include:

a strong earnings history exclusive of the loss that created the deductible temporary differences, coupled with evidence indicating that the loss is the result of an aberration rather than a continuing condition;

an excess of appreciated asset value over the tax basis of a company s net assets in an amount sufficient to realize the deferred tax asset; and

As of January 3, 2015, and December 28, 2013, we had no valuation allowance against our deferred tax assets. We reversed our valuation allowance in 2013 due to the fact that we were no longer in a cumulative loss position. For 2012, we had a full valuation allowance of $12.9 million recorded against our net deferred assets, primarily due to our experiencing a three-year cumulative operating loss as of December 29, 2012, and December 31, 2011. The release of the valuation allowance in 2013 was a result of positive earnings at that time and forecasted income which provided sufficient positive

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Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
taxable income in prior carryback years; tax planning strategies; and future taxable income exclusive of reversing temporary differences and carryforwards.	existing backlog that will produce sufficient taxable income to realize the deferred tax asset based on existing sales prices and cost structures. Examples of negative evidence may include: the existence of cumulative losses (generally defined as a pretax cumulative loss for the current and previous two years); an expectation of being in a cumulative loss position in a future reporting period; a carryback or carryforward period that is so brief that it would limit the realization of tax benefits; a history of operating loss or tax credit carryforwards expiring unused; and unsettled circumstances that, if unfavorably resolved, would adversely affect future operations and profit levels on a continuing basis.	evidence that our deferred tax assets were more likely than not to be realized. During 2014, we continued to have positive earnings and our forecasts of pre-tax income as of January 3, 2015, provide sufficient positive evidence that our deferred tax assets are more likely than not to be realized and, therefore, a valuation allowance on our deferred tax assets is not required. In the future, among other things, future pre-tax operating losses could result in the establishment of a valuation allowance.

	The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. A company must use judgment in considering the relative impact of positive and negative evidence.	
Warranty		
We have warranty obligations with respect to most of our manufactured products. Obligations vary by product components. The reserve for warranties is based on our assessment of the costs that will have to be incurred to satisfy warranty obligations on recorded net sales.	The reserve is determined after assessing our warranty history, lag time between order ship date and warranty service date, current and expected warranty costs per claim, and specific identification of our estimated future warranty obligations.	Changes to actual warranty claims incurred could have a material impact on our estimated warranty obligations.
Self Insurance Reserves		
We are primarily self-insured for employee health benefits and for years prior to 2010 for workers compensation. For 2010-2014 we are fully insured with respect to workers compensation.	Our workers compensation reserves, for the self-insured periods 2009 and prior are accrued based on third-party actuarial valuations of the expected future liabilities. Health benefits are self-insured by us up to pre-determined stop loss limits. These reserves, including incurred but not reported claims, are based on internal computations. These computations consider our historical claims experience, independent statistics, and trends.	Changes to actual health benefit claims or workers compensation incurred could have a material impact on our estimated self-insurance reserves.
Stock-Based Compensation		
We utilize a fair-value based approach for measuring stock-based compensation to	Option-pricing models and generally accepted valuation techniques require	We do not believe there is a reasonable likelihood that there will be a material

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
recognize the cost of employee services received in exchange for our Company s equity instruments. We determine the fair value of our stock option awards at the date of grant using the Black-Sholes model.	management to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the future volatility of our stock price, expected dividend yield, future employee forfeiture rates and future employee stock option exercise behaviors. Changes in these assumptions can materially affect the fair value estimate.	change in the future estimates or assumptions we use to determine stock-based compensation expense. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to changes in stock-based compensation expense that could be material.
We record compensation expense over an award s vesting period based on the award s fair value at the date of grant. As of January 3, 2015, our awards vest based only on service conditions and compensation expense is recognized on a straight-line basis for each separately vesting portion of an award.	Stock-based compensation expense is recognized only for those awards that are ultimately expected to vest, and we have applied an estimated forfeiture rate to unvested awards for the purpose of calculating compensation cost. These estimates, based mostly on historical experience, will be revised in future periods if actual forfeitures differ from the estimates. Changes in forfeiture estimates impact compensation cost in the period in which the change in estimate occurs.	A 10% change in our stock-based compensation expense for the year ended January 3, 2015, would have affected net income by approximately $0.1 million.

RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2014, the FASB issued ASU 2014-15, which requires management to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. ASU 2014-15 is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. We do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

In June 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-12, Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force). The new standard requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. The update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. The amendments in this ASU will be effective for us beginning the first interim period of our 2016 fiscal year and can be applied either prospectively or retrospectively to all awards outstanding as of the beginning of the earliest annual period presented as an adjustment to opening retained earnings. Early adoption is permitted. We are evaluating the impact of adoption of this ASU on our financial condition, result of operations and cash flows.

In April 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which states the core principal of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The provisions of the guidance will be effective for us beginning in first quarter of 2017. Management is still reviewing the impact of this new guidance on our financials.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which changes the criteria for reporting discontinued operations. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of, or is classified as held for sale, and represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results. Major strategic shifts include disposals of a significant geographic area or line of business. The new standard allows an entity to have significant continuing involvement and cash flows with

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the discontinued operation. The standard requires expanded disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. This new guidance is effective for annual reporting periods beginning on or after December 15, 2014, and interim periods within those annual periods, with early adoption permitted only for disposals (or classifications as held for sale) that have not been previously reported. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

FORWARD OUTLOOK

From time to time, we have made or will make forward-looking statements within the meaning of Section 21E of the Exchange Act. These statements do not relate strictly to historical or current facts. Forward-looking statements usually can be identified by the use of words such as goal , objective , plan , expect , anticipate , intend , project , bel may , could , or other words of similar meaning. Forward-looking statements provide our current expectations or forecasts of future events, results, circumstances or aspirations. Our disclosures in this report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements in our other documents filed or furnished with the Securities and Exchange Commission and in oral presentations. Forward-looking statements are based on assumptions and by their nature are subject to risks and uncertainties, many of which are outside of our control. Our actual results may differ materially from those set forth in our forward-looking statements. There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause actual results to differ materially from those described in our forward-looking statements include, but are not limited to:

- Changes in new home starts and home remodeling trends
- The economy in the U.S. generally or in Florida where the substantial portion of our sales are generated
- Raw material prices, especially aluminum
- Integration of CGI
- Transportation costs
- Level of indebtedness
- Dependence on our WinGuard branded product lines
- Product liability and warranty claims

Federal and state regulations

Dependence on our manufacturing facilities

Any forward-looking statements made by us or on our behalf speak only as of the date they are made and we do not undertake any obligation to update any forward-looking statement to reflect the impact of subsequent events or circumstances. Before making any investment decision, you should carefully consider all risks and uncertainties disclosed in all our SEC filings, including our reports on Forms 8-K, 10-Q and 10-K and our registration statements under the Securities Act of 1933, as amended, all of which are accessible on the SEC s website at www.sec.gov and at http://ir.pgtindustries.com/sec.cfm

Net sales

We recorded increased sales of $67.1 million, or 28.0% in 2014, over 2013, including $13.3 million from CGI. Excluding sales from CGI, our organic sales growth was $53.8 million. This growth was driven by an increase in our WinGuard products which were up $38.5 million, or 22.4% versus 2013. This increase was driven by our promotional and marketing activities along with the continued strengthening of the new construction market. Moody s is forecasting an increase in new single family home construction market of 14% for 2015. However, the repair and remodel market is forecasted to have a slow but steady improvement into 2015. At this time, we expect sales for the first quarter to be approximately $90 to $93 million. However, we announced a price increase which became effective in the first quarter of 2015 and believe our sales estimate for the first quarter of 2015 to include approximately $6 million of orders from customers that accelerated their orders in anticipation of the price increase. The acceleration of orders in advance of the price increase will likely have a negative impact on orders for the second quarter of 2015.

Gross margin

We believe the following factors, which are not all inclusive, may impact our gross margin in 2015:

- Our gross margin percentages are heavily influenced by total sales due to operating leverage of fixed costs as well as product mix of impact and non-impact products and vinyl frame versus aluminum frame products.

- Our margin is also influenced by costs of material and labor. As our labor force becomes more tenured, material and labor costs have begun to normalize as efficiencies are achieved. Our future rate of hiring will be impacted by the rate of sales growth.

- We finished construction of our new glass plant by the end of third quarter 2014, which has favorably impacted our gross margins. However, we may still purchase outsourced glass that sales may require until we complete the second phase of our glass plant initiative, which will include purchasing glass laminating and insulating equipment.

- Aluminum prices can fluctuate significantly resulting in impacts to our gross margin.

We have begun to see improvements in our gross margins which we believe are improvements in those items which negatively impacted our gross margin in the fourth quarter of 2014. Through the first seven weeks of 2015, direct labor and scrap have improved 0.3% and 1.0% of sales, respectively, compared to the fourth quarter. This, in part, helped improve our January consolidated gross margin to 32.3%. Given our sales mix during that seven week period, and improvements in operational performance, we anticipate gross margin for the first quarter of 2015 will range from 31.5% to 33.0%. We are adding additional glass capacity, including a laminating line towards the end of the second quarter, which will allow us to fully realize our expected glass capacity related savings.

Selling, general and administrative expenses

An increase in selling and marketing costs aimed at gaining market share and increased brand awareness would result in increased selling, general and administrative costs. Favorably impacting our selling, general and administrative expenses in 2014 was the reduction of amortization expense as we fully amortized our amortizable intangible assets in the first quarter of 2014. However, with the acquisition of CGI, we acquired additional amortizable intangible assets which we began amortizing in the late third quarter of 2014. In 2015, these amortizable intangible assets will be amortized for a full year compared to approximately only one quarter in 2014. For 2015, we estimate amortization of intangible assets will be approximately $3.4 million.

Interest expense

On September 22, 2014, we entered into the Credit Agreement, which establishes new senior secured credit facilities in an aggregate amount of $235 million, consisting of $200 million Tranche B term loan facility maturing in seven years that will amortize on a basis of 1% annually during the seven-year term, and a $35.0 million revolving credit facility maturing in five years that includes a swing line facility and a letter of credit facility. Interest expense will increase in 2015, as a result of the increased debt. For 2015, we estimate that interest expense, excluding any amortization of deferred financing costs or original issue discount, will be approximately $10.6 million.

Income tax expense

We fully released our valuation allowance on deferred tax assets in 2013 and were profitable in 2014 resulting in tax expense of $9.7 million, an effective tax rate of 37.1%. If we continue to be profitable, we will incur income tax expense at approximately a combined statutory rate of approximately 37% to 38%, which will impact our results.

Liquidity and capital resources

We had $42.5 million of cash on hand as of January 3, 2015. Management expects to spend between $15 million and $18 million in 2015, including capital expenditures related to the second phase of the new glass plant, primarily acquiring new glass laminating and insulating equipment, continued investments in our ERP system and product investments in lines targeted at increasing both gross sales and margins. We intend to use cash generated from operations to fund such capital expenditures, however no assurance can be given in this regard. We also expect to become a cash taxpayer in 2015 as we have only approximately $6.1 million of tax-effected federal net operating loss carry-forwards as the result of the acquisition of CGI which we can use in 2015 and the future.

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Summary

In 2014, new home construction in the nation and Florida in particular improved, but is still below historic norms. We continue to gain market share in the repair and remodel market, and as consumers transition to a more energy efficient home, our products position us to take advantage of this transition and continue to gain share in this market. We acquired CGI which has a line of higher-margin impact-resistant products sold primarily in Florida, similar to PGT, and we completed our new glass facility late in the third quarter of 2014, which became fully operational during the fourth quarter of 2014. We are in the second phase of increasing our glass capacity by adding laminating and insulating equipment, which we estimate will be completed by the end of the second quarter of 2015. We faced some operational challenges during the fourth quarter of 2014 which, in view of our early 2015 results, appear to have improved. We are well positioned to take advantage of our increased capacity for processing our own glass.

Item 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

We utilize derivative financial instruments to hedge price movements in our aluminum materials. We are exposed to changes in the price of aluminum as set by the trades on the London Metal Exchange. At January 3, 2015, we had 23 forward aluminum contracts. These settle at various times throughout 2015 for 7.9 million pounds at an average price of $0.90 per pound. The fair value of our aluminum forward contracts is $0.5 million and is included in other current liabilities in the accompanying consolidated balance sheet as of January 3, 2015.

For forward contracts for the purchase of aluminum at January 3, 2015, a 10% decrease in the price of aluminum would decrease the fair value of our forward contracts of aluminum by $0.7 million. This calculation utilizes our actual commitment of 7.9 million pounds under contract (to be settled throughout 2015) and the market price of aluminum as of January 3, 2015, which was approximately $0.91 per pound.

Based on our debt outstanding at January 3, 2015, of $199.5 million, a 1% increase in interest rates would result in approximately $2.0 million of additional interest expense annually.

Item 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

PGT, Inc.:

We have audited the accompanying consolidated balance sheet of PGT, Inc. and subsidiaries as of January 3, 2015, and the related consolidated statements of operations, comprehensive income, shareholders equity, and cash flows for the year ended January 3, 2015. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PGT, Inc. and subsidiaries as of January 3, 2015 and the results of their operations and their cash flows for the year ended January 3, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PGT, Inc. s internal control over financial reporting as of January 3, 2015, based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 19, 2015 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

Tampa, Florida

March 19, 2015

Certified Public Accountants

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

PGT, Inc.

We have audited the accompanying consolidated balance sheet of PGT, Inc. and subsidiary as of December 28, 2013, and the related consolidated statements of operations, comprehensive income, shareholders equity, and cash flows for each of the two fiscal years in the period ended December 28, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PGT, Inc. and subsidiary at December 28, 2013, and the consolidated results of their operations and their cash flows for each of the two fiscal years in the period ended December 28, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth herein.

/s/ Ernst & Young LLP
Certified Public Accountants

Tampa, Florida

February 28, 2014

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PGT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended		
	January 3, 2015	**December 28, 2013**	**December 29, 2012**
Net sales	$ 306,388	$ 239,303	$ 174,540
Cost of sales	213,596	159,169	114,872
Gross margin	92,792	80,134	59,668
Gain on sale of assets held		(2,195)	
Selling, general and administrative expenses	56,377	54,594	47,094
Income from operations	36,415	27,735	12,574
Interest expense, net	5,960	3,520	3,437
Debt extinguishment costs	2,625	333	
Other expense, net	1,750	437	72
Income before income taxes	26,080	23,445	9,065
Income tax expense (benefit)	9,675	(3,374)	110
Net income	$ 16,405	$ 26,819	$ 8,955
Net income per common share:			
Basic	$ 0.35	$ 0.55	$ 0.17
Diluted	$ 0.33	$ 0.51	$ 0.16
Weighted average shares outstanding:			
Basic	47,376	48,881	53,620
Diluted	49,777	52,211	55,262

The accompanying notes are an integral part of these consolidated financial statements.

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PGT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Year Ended		
	January 3, 2015	December 28, 2013	December 29, 2012
Net income	$ 16,405	$ 26,819	$ 8,955
Other comprehensive income (loss) before tax			
Change in fair value of derivatives	(212)	(1,391)	(24)
Reclassification to earnings	1,195	145	408
Other comprehensive income (loss) before tax	983	(1,246)	384
Income tax expense (benefit) related to components of other comprehensive income (loss)	431	(437)	
Other comprehensive income (loss), net of tax	552	(809)	384
Comprehensive income	$ 16,957	$ 26,010	$ 9,339

The accompanying notes are an integral part of these consolidated financial statements

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PGT, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	January 3, 2015	December 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,469	$ 30,204
Accounts receivable, net	25,374	20,821
Inventories	19,970	12,908
Prepaid expenses	1,564	1,538
Other current assets	4,900	3,166
Deferred income taxes	5,160	2,763