MDC HOLDINGS INC
Form 8-K
December 08, 2004

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

FORM 8-K

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

Date of Earliest Event Reported: December 6, 2004

M.D.C. Holdings, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware	**1-8951**	**84-0622967**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification #)

3600 South Yosemite Street, Suite 900, Denver, CO 80237
(Address of Principal Executive Office)

(303) 773-1100
(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 210.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

In connection with the commencement of a medium term notes program pursuant to which up to $500,000,000 aggregate principal amount of senior and/or subordinated debt securities of M.D.C. Holdings, Inc. (the Registrant) may be issued from time to time:

On December 6, 2004, the Registrant finalized terms for the issuance of $250 million of its ten-year medium term senior notes. Settlement will occur on December 14, 2004. The notes have been priced at a fixed interest rate of 5.375% and will mature on December 15, 2014.

The medium term senior notes will be issued under the Senior Indenture dated December 3, 2002, as supplemented, in a public offering pursuant to the Registrant s currently effective shelf registration statement, including the prospectus dated September 7, 2004, the prospectus supplement dated October 6, 2004 and the pricing supplement dated December 6, 2004. The Registrant s obligations under the medium term senior notes are guaranteed by certain of Registrant s homebuilding subsidiaries.

The net proceeds from the issuance of the medium term senior notes will be used for general corporate purposes including repayment of existing indebtedness.

As further described in the registration statement, the Senior Indenture defines an Event of Default with respect to the medium term senior notes to include the following, any of which may result in the acceleration of the Registrant s obligations under the medium term senior notes:

(1) default in the payment of interest on the medium term senior notes as and when the same becomes due and payable and the continuance of any such failure for 30 days;

(2) default in the payment of all or any part of the principal or premium, if any, on the medium term senior notes when and as the same become due and payable at maturity, at redemption, by declaration of acceleration or otherwise;

(3) default in the observance or performance of, or breach of, any covenant, agreement or warranty of the Registrant contained in the medium term senior notes, the Senior Indenture or a Supplemental Indenture (unless specifically dealt with elsewhere), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Registrant by the Trustee, or to the Registrant and the Trustee by holders of at least 25% in aggregate principal amount of the outstanding medium term senior notes, a written notice specifying such default or breach, requiring it to be remedied and stating that such notice is a Notice of Default thereunder;

(4) a decree, judgment or order by a court of competent jurisdiction shall have been entered adjudging the Registrant or any of its significant subsidiaries as bankrupt or insolvent, or approving as properly filed a petition in an involuntary case or proceeding seeking reorganization of the Registrant or any of its significant subsidiaries under any bankruptcy or similar law, or a decree, judgment or order of a court of competent jurisdiction directing the appointment of a receiver, liquidator, trustee, or assignee in bankruptcy or insolvency of the Registrant, any of its significant subsidiaries, or of the assets or property of any such person, or the winding up or liquidation of the affairs of any such Person, shall have been entered, and the continuance of any such decree, judgment or order unstayed and in effect for a period of 90 consecutive days;

(5)

the Registrant or any of its significant subsidiaries shall institute proceedings to be adjudicated a voluntary bankrupt (including conversion of an involuntary proceeding into a voluntary proceeding), or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent to the filing of any such petition, or shall consent to the appointment of a custodian, receiver, liquidator, trustee, or assignee in bankruptcy or insolvency of it or any of its assets or property, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall, within the meaning of any bankruptcy law, become insolvent, or fail generally to pay its debts as they become due;

(6) (a) the acceleration of any indebtedness (other than non-recourse indebtedness) of the Registrant or any of its significant subsidiaries (in accordance with the terms of such indebtedness and after giving effect to any applicable grace period set forth in the documents governing such indebtedness) that has an outstanding principal amount of $25,000,000 or more individually or $40,000,000 or more in the aggregate to be immediately due and payable; provided that, in the event any such acceleration is withdrawn or otherwise rescinded (including satisfaction of such Indebtedness) within a period of ten business days after such acceleration by the holders of such indebtedness, any event of default under this clause (6) will be deemed to be cured and any acceleration hereunder will be deemed withdrawn or rescinded; or (b) the failure by the Registrant or any of its significant subsidiaries to make any principal, premium, interest or other required payment in respect of indebtedness (other than non-recourse indebtedness) of the Registrant or any of its significant subsidiaries with an outstanding aggregate principal amount of $25,000,000 or more individually or $40,000,000 or more in the aggregate (after giving effect to any applicable grace period set forth in the documents governing such indebtedness);

(7) one or more final nonappealable judgments (in the amount not covered by insurance or not reserved for) or the issuance of any warrant of attachment against any portion of the property or assets (except with respect to non-recourse indebtedness) of the Registrant or any of its restricted subsidiaries, which are $25,000,000 or more individually or $40,000,000 or more in the aggregate, at any one time rendered against the Registrant or any of its restricted subsidiaries by a court of competent jurisdiction and not bonded, satisfied or discharged for a period (during which execution shall not be effectively stayed) of (a) 60 days after the judgment becomes final and such court shall not have ordered or approved, and the parties shall not have agreed upon, the payment of such judgment at a later date or dates or (b) 60 days after all or any part of such judgment is payable pursuant to any court order or agreement between the parties; or

(8) the guarantee of any guarantor shall fail to remain in full force and effect except in accordance with the Senior Indenture or any action shall be taken by any guarantor to discontinue or to assert the invalidity or unenforceability of its guarantee, or any guarantor shall fail to comply with any of the terms or provisions of its guarantee, or any guarantor denies that it has any further liability under its guarantee or gives notice to such effect.

The Registrant issued a press release on December 7, 2004, disclosing the above transaction. The text of this press release is included as Exhibit 99.1 to this Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

Exhibit Number	Description
99.1	Press release dated December 7, 2004 of the Company announcing the offering of $250 million medium term senior notes

SIGNATURES

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

M.D.C. HOLDINGS, INC.

Dated: December 7, 2004

By: /s/ Joseph H. Fretz
Joseph H. Fretz
Secretary and Corporate Counsel

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release dated December 7, 2004 of the Company announcing the offering of $250 million medium term senior notes

le="white-space:nowrap;">Total intangible assets 15 $1,686,248 $(24,096) $1,662,152 As of Decembe

Patents	14	$12,770	$(12,261)	$509
Trademarks/Tradenames	12	117,473	(88,853)	28,620
Customer relationships	13	219,614	(166,086)	53,528
Other	4	5,750	(4,732)	1,018
Total intangible assets	12	$355,607	$(271,932)	$83,675

The table that follows presents amortization expense for the respective periods:

	Successor	Predecessor	Predecessor
(Amounts in thousands)	April 13, 2018 – June 30, 2018	April 1, 2018 – April 12, 2018	Three months ended July 1, 2017
Amortization expense	$ 24,096	$ 751	$ 5,258

TABLE OF CONTENTS

The table that follows presents amortization expense for the year-to-date period:

	Successor	Predecessor	Predecessor
(Amounts in thousands)	April 13, 2018 – June 30, 2018	January 1, 2018 – April 12, 2018	Six months ended July 1, 2017
Amortization expense	$ 24,096	$ 6,105	$ 10,602

Estimated amortization expense for the fiscal years 2018 through 2022 is shown in the following table:

(Amounts in thousands)	Amortization expense
2018 (remainder of year)	$ 57,067
2019	112,640
2020	112,640
2021	112,640

2022	112,640

5. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss), net of tax is comprised of the following:

	Successor	Predecessor	Predecessor
(Amounts in thousands)	April 13, 2018 – June 30, 2018	April 1, 2018 – April 12, 2018	Three months ended July 1, 2017
Net income (loss)	$ (20,411)	$ (62,217)	$ 29,859
Foreign currency translation adjustment	(7,486)	1,204	1,279
Unrealized gain (loss) on derivative instruments	742	(610)	(430)
Comprehensive income (loss)	$ (27,155)	$ (61,623)	$ 30,708

	Successor	Predecessor	Predecessor
(Amounts in thousands)	April 13, 2018 – June 30, 2018	January 1, 2018 – April 12, 2018	Six months ended July 1, 2017
Net income (loss)	$ (20,411)	$ (66,780)	$ 26,222
Foreign currency translation adjustment	(7,486)	(643)	1,844
Unrealized gain (loss) on derivative instruments	742	317	(976)
Comprehensive income (loss)	$ (27,155)	$ (67,106)	$ 27,090

6. LONG-TERM DEBT

Long-term debt in the accompanying condensed consolidated balance sheets at June 30, 2018 and December 31, 2017 consists of the following:

	Successor	Predecessor
(Amounts in thousands)	June 30, 2018	December 31, 2017
Senior secured asset based revolving credit facility	$ 130,000	$ —
Term Loan Facility due 2021, net of unamortized early tender premium, discount, and debt issuance costs of $0 and $10,560, respectively	—	203,315
Cash Flow Revolver	—	—
6.50% Senior Notes due 2022, net of unamortized early tender premium, discount, and debt issuance costs of $0 and $41,681, respectively	—	608,319
Term Loan Facility due 2025, net of unamortized discount, and debt issuance costs of $51,144 and $0, respectively	1,703,856	—
8.00% Senior Notes due 2026, net of unamortized discount, and debt issuance costs of $26,708 and $0, respectively	618,292	—
	$ 2,452,148	$ 811,634
Less current portion of long-term debt	(17,550)	(4,300)
	$ 2,434,598	$ 807,334

TABLE OF CONTENTS

Successor Debt

To finance the Merger described in Note 2 — Acquisitions, the Company incurred $2,400.0 million of debt obligations. The debt obligations include the following debt agreements:

Term Loan Facility due 2025 and Cash Flow Revolver due 2023

On April 12, 2018, the Company entered into a Cash Flow Credit Agreement (the "Cash Flow Credit Agreement"), which provides for (i) a term loan facility (the "Term Loan Facility") in an original aggregate principal amount of $1,755.0 million, issued with a discount of 0.5%, and (ii) a cash flow-based revolving credit facility (the "Cash Flow Revolver" and together with the Term Loan Facility, the "Cash Flow Facilities") of up to $115.0 million. The Term Loan Facility amortizes in nominal quarterly installments equal to one percent of the aggregate initial principal amount thereof per annum, with the remaining balance payable upon final maturity of the Term Loan Facility on April 12, 2025. There are no amortization payments under the Cash Flow Revolver, and all borrowings under the Cash Flow Revolver mature on April 12, 2023. At June 30, 2018, there was $1,755.0 million outstanding under the Term Loan Facility and there were no amounts drawn on the Cash Flow Revolver.

The Term Loan Facility bears annual interest at a floating rate measured by reference to, at the Company's option, either (i) an adjusted LIBOR rate (subject to a floor of 0.00%) plus an applicable margin of 3.75% per annum or (ii) an alternate base rate plus an applicable margin of 2.75% per annum. At June 30, 2018, the interest rate on the Term Loan Facility was as follows:

	Rate
Interest rate	6.09%
Effective interest rate	7.95%

Loans outstanding under the Cash Flow Revolver bear annual interest at a floating rate measured by reference to, at the Company's option, either (i) an adjusted LIBOR rate (subject to a floor of 0.00%) plus an applicable margin ranging from 2.50% to 3.00% per annum depending on the Company's secured leverage ratio or (ii) an alternate base rate plus an applicable margin ranging from 1.50% to 2.00% per annum depending on the Company's secured leverage ratio. Additionally, unused commitments under the Cash Flow Revolver are subject to a fee ranging from 0.25% to 0.50% per annum depending on the Company's consolidated secured leverage ratio.

The Term Loan Facility may be prepaid at the Company's option at any time, subject to minimum principal amount requirements. Prepayments of the Term Loan Facility in connection with a repricing transaction (as defined in the Cash Flow Credit Agreement) on or prior to April 12, 2019 are subject to a 1.00% prepayment premium. Prepayments may otherwise be made without premium or penalty (other than customary breakage costs). The Cash Flow Revolver may be prepaid at the Company's option at any time without premium or penalty (other than customary breakage costs), subject to minimum principal amount requirements.

Subject to certain exceptions, the Term Loan Facility is subject to mandatory prepayments in an amount equal to:

- the net cash proceeds of (1) certain asset sales, (2) certain debt offerings and (3) certain insurance recovery and condemnation events; and

- 50% of annual excess cash flow (as defined in the Cash Flow Credit Agreement), subject to reduction to 25% and 0% if specified secured leverage ratio targets are met to the extent that the amount of such excess cash flow exceeds $10.0 million. The annual excess cash flow assessment will begin for the Company's 2019 fiscal year.

The obligations under the Cash Flow Credit Agreement are guaranteed by Ply Gem Intermediate, Inc., the parent company of Ply Gem Midco, and each direct and indirect wholly-owned U.S. restricted subsidiary of the Company, subject to certain exceptions, and are secured by:

- a perfected security interest in substantially all tangible and intangible assets of the Company and each subsidiary guarantor (other than ABL Priority Collateral (as defined below)), including the

F-103

TABLE OF CONTENTS

capital stock of the Company and each direct material wholly-owned U.S. restricted subsidiary owned by the Company and each subsidiary guarantor, and 65% of the capital stock of any non-U.S. subsidiary held directly by the Company or any subsidiary guarantor, subject to certain exceptions (the “Cash Flow Priority Collateral”), which security interest will be senior to the security interest in the foregoing assets securing the ABL Facility; and

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a perfected security interest in the ABL Priority Collateral, which security interest will be junior to the security interest in the ABL Priority Collateral securing the ABL Facility.

The Cash Flow Revolver includes a financial covenant set at a maximum secured leverage ratio of 7:75 to 1.00, which will apply if the outstanding amount of loans and drawings under letters of credit which have not then been reimbursed exceeds a specified threshold at the end of any fiscal quarter.

ABL Facility due 2023

On April 12, 2018, the Company entered into an ABL Credit Agreement (the “ABL Credit Agreement”), which provides for an asset-based revolving credit facility (the “ABL Facility”) of up to $360.0 million, consisting of (i) $285.0 million available to U.S. borrowers (subject to U.S. borrowing base availability) and (ii) $75.0 million available to both U.S. borrowers and Canadian borrowers (subject to U.S. borrowing base and Canadian borrowing base availability). The Company and, at the Company’s option, certain of the Company’s subsidiaries are the borrowers under the ABL Facility. All borrowings under the ABL Facility mature on April 12, 2023.

Borrowing availability under the ABL Facility is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of eligible inventory, eligible accounts receivable and eligible credit card receivables, less certain reserves and subject to certain other adjustments as set forth in the ABL Credit Agreement. Availability is reduced by issuance of letters of credit as well as any borrowings. As of June 30, 2018, the Company had the following in relation to the ABL Facility:

(in thousands)	June 30, 2018
Excess availability	$ 183,812
Revolving loans outstanding	130,000
Letters of credit outstanding	14,341

Loans outstanding under the ABL Facility bear interest at a floating rate measured by reference to, at the Company’s option, either (i) an adjusted LIBOR rate (subject to a LIBOR floor of 0.00%) plus an applicable margin ranging from 1.25% to 1.75% per annum depending on the average daily excess availability under the ABL Facility or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 0.75% per annum depending on the average daily excess availability under the ABL Facility. Additionally, unused commitments under the ABL Facility are subject to a 0.25% per annum fee. At June 30, 2018, the weighted average interest rate on the ABL Facility was 3.85%.

The obligations under the ABL Credit Agreement are guaranteed by Ply Gem Intermediate, Inc., the parent company of Ply Gem Midco, and each direct and indirect wholly-owned U.S. restricted subsidiary of the Company, subject to certain exceptions, and are secured by:

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a perfected security interest in all present and after-acquired inventory, accounts receivable, deposit accounts, securities accounts, and any cash or other assets in such accounts and other related assets owned by the Company and the U.S. subsidiary guarantors and the proceeds of any of the foregoing, except to the extent such proceeds constitute Cash Flow Priority Collateral, and subject to certain exceptions (the “ABL Priority Collateral”), which security interest is senior to the security interest in the foregoing assets securing the Cash Flow Facilities; and

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a perfected security interest in the Cash Flow Priority Collateral, which security interest will be junior to the security interest in the Cash Flow Collateral securing the Cash Flow Facilities.

Additionally, the obligations of the Canadian borrowers under the ABL Credit Agreement are guaranteed by each direct and indirect wholly-owned Canadian restricted subsidiary of the Canadian borrowers, subject to certain exceptions, and are secured by substantially all assets of the Canadian borrowers and the Canadian subsidiary guarantors, subject to certain exceptions.

TABLE OF CONTENTS

The ABL Credit Agreement includes a minimum fixed charge coverage ratio of 1.00 to 1.00, which is tested only when specified availability is less than 10.0% of the lesser of (x) the then applicable borrowing base and (y) the then aggregate effective commitments under the ABL Facility, and continuing until such time as specified availability has been in excess of such threshold for a period of 20 consecutive calendar days.

8.00% Senior Notes due 2026

On April 12, 2018, the Company issued $645.0 million at a discount of 2.25% in aggregate principal amount of 8.00% Senior Notes due 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15. The effective interest rate for the 8.00% Senior Notes was 8.75% as of June 30, 2018, after considering each of the different interest expense components of this instrument, including the coupon payment and the deferred debt issuance costs.

The 8.00% Senior Notes are guaranteed on a senior unsecured basis by each of the Company's wholly-owned domestic subsidiaries that guarantee the Company's obligations under the Cash Flow Facilities or the ABL Facility (including by reason of being a borrower under the ABL Facility on a joint and several basis with the Company or a subsidiary guarantor). The 8.00% Senior Notes are unsecured senior indebtedness and rank equally in right of payment with the Cash Flow Facilities and ABL Facility. The 8.00% Senior Notes are effectively subordinated to all of the Company's secured debt and are senior in right of payment to all subordinated obligations of the Company.

The Company may redeem the 8.00% Senior Notes in whole or in part at any time as set forth below:

- prior to April 15, 2021, the Company may redeem the 8.00% Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to but not including the redemption date, plus the applicable make-whole premium;

- prior to April 15, 2021, the Company may redeem up to 40.0% of the original aggregate principal amount of the 8.00% Senior Notes with proceeds of certain equity offerings, at a redemption price of 108%, plus accrued and unpaid interest, if any, to but not including the redemption date; and

- on or after April 15, 2021, the Company may redeem the 8.00% Senior Notes at specified redemption prices starting at 104% and declining ratably to 100.0% by April 15, 2023, plus accrued and unpaid interest, if any, to but not including the redemption date.

Debt Covenants

The Company's debt agreements contain a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional indebtedness; make dividends and other restricted payments; incur additional liens; consolidate, merge, sell or otherwise dispose of all or substantially all assets; make investments; transfer or sell assets; enter into restrictive agreements; change the nature of the business; and enter into certain transactions with affiliates. As of June 30, 2018, the Company was in compliance with all covenants that were in effect on such date.

Predecessor Debt

Prior to the Merger on April 12, 2018, the Company had senior notes, a term loan facility, and a senior secured asset based revolving credit facility. In conjunction with the Merger (see Note 2 — Acquisitions), these facilities were settled and the agreements were terminated. Certain prepayment penalties and debt extinguishment costs of $71.4 million and related income tax benefit of $16.8 million related to the settlement of these facilities are not reflected in either the Predecessor or Successor consolidated statements of operation and comprehensive income (loss) periods, but instead are presented "on the black line." The Predecessor debt agreement contained change in control provisions which resulted in the debt becoming due and payable immediately upon the Merger. The Company believes that the blackline presentation is consistent with the timing of the derecognition and extinguishment of the debt. These terminated facility agreements are discussed below.

TABLE OF CONTENTS

6.50% Senior Notes due 2022

On January 30, 2014, Ply Gem Industries issued $500.0 million aggregate principal amount of 6.50% Senior Notes due 2022 (the “Predecessor Notes”) at par. On September 19, 2014, Ply Gem Industries issued an additional $150.0 million aggregate principal amount of Predecessor Notes at an issue price of 93.25%. Interest accrued at 6.50% per annum and was paid semi-annually on February 1 and August 1 of each year. All issued and outstanding Predecessor Notes were registered under the Securities Act. The Predecessor Notes would have matured on February 1, 2022. At any time on or after February 1, 2017, Ply Gem Industries was able to redeem the Predecessor Notes, in whole or in part, at declining redemption prices set forth in the indenture governing the Predecessor Notes plus, in each case, accrued and unpaid interest, if any, to the redemption date. The effective interest rate for the Predecessor Notes was 8.39% as of April 12, 2018, after considering each of the different interest expense components of this instrument, including the coupon payment and the deferred debt issuance costs.

The Predecessor Notes were fully and unconditionally and jointly and severally guaranteed on a senior unsecured basis by Ply Gem Holdings and all of the wholly owned domestic subsidiaries of Ply Gem Industries (the “Guarantors”). The indenture governing the Predecessor Notes contains certain covenants that limit the ability of Ply Gem Industries and its restricted subsidiaries to incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem their stock, make loans and investments, sell assets, incur certain liens, enter into agreements restricting their ability to pay dividends, enter into transactions with affiliates, and consolidate, merge or sell assets. In particular, Ply Gem Industries and its restricted subsidiaries may not incur additional debt (other than permitted debt (as defined in the indenture) in limited circumstances) unless, after giving effect to such incurrence, the consolidated interest coverage ratio of Ply Gem Industries would be at least 2.00 to 1.00.

In connection with the closing of the Merger, all outstanding Predecessor Notes were redeemed and the indenture governing the Predecessor Notes was terminated.

Term Loan Facility due 2021

On January 30, 2014, Ply Gem Industries entered into a credit agreement governing the terms of its $430.0 million Term Loan Facility due 2021 (the “Predecessor Term Loan Facility”). Ply Gem Industries originally borrowed $430.0 million under the Predecessor Term Loan Facility on January 30, 2014, with an original discount of approximately $2.2 million, yielding proceeds of approximately $427.9 million. The Predecessor Term Loan Facility would have matured on January 30, 2021. The Predecessor Term Loan Facility required scheduled quarterly payments in an aggregate annual amount equal to 1.00% of the original aggregate principal amount of the Predecessor Term Loan Facility with the balance due at maturity. Interest on outstanding borrowings under the Predecessor Term Loan Facility is paid quarterly.

Borrowings under the Predecessor Term Loan Facility bore interest at a rate equal to, at Ply Gem Industries’ option, either (a) a base rate determined by reference to the highest of (i) the prime rate of the administrative agent under the credit agreement, (ii) the federal funds rate plus 0.50% and (iii) the adjusted LIBO rate for a one-month interest period plus 1.00% or (b) a LIBOR rate determined by reference to the cost of funds for eurocurrency deposits in dollars for the interest period relevant to such borrowing, adjusted for certain additional costs, subject to a 1.00% floor, plus, in each case, an applicable margin of 3.00% for any eurocurrency loan and 2.00% for any alternate base rate loan. As of December 31, 2017, the Company’s interest rate on the Predecessor Term Loan Facility was 4.69%. The effective interest rate for the Term Loan was 8.60% as of April 12, 2018, after considering each of the different interest expense components of this instrument, including the coupon payment, the deferred debt issuance costs and the original issue discount.

The Predecessor Term Loan Facility allowed Ply Gem Industries to request one or more incremental term loan facilities in an aggregate amount not to exceed the greater of (x) $140.0 million and (y) an amount such that Ply Gem Industries’ consolidated senior secured debt ratio (as defined in the credit agreement), on a pro forma basis, does not exceed 3.75 to 1.00, in each case, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders.

TABLE OF CONTENTS

The Predecessor Term Loan Facility required Ply Gem Industries to prepay outstanding term loans, subject to certain exceptions, with: (i) 50% (which percentage will be reduced to 25% if our consolidated senior secured debt ratio is equal or less than 2.50 to 1.00 but greater than 2.00 to 1.00 and to 0% if our consolidated senior secured debt ratio is equal to or less than 2.00 to 1.00) of our annual excess cash flow (as defined in the credit agreement), to the extent such excess cash flow exceeds $15.0 million; (ii) 100% of the net cash proceeds of certain non-ordinary course asset sales or certain insurance and condemnation proceeds, in each case subject to certain exceptions and reinvestment rights; and (iii) 100% of the net cash proceeds of certain issuances of debt, other than proceeds from debt permitted under the Predecessor Term Loan Facility. Ply Gem Industries was able to voluntarily repay outstanding loans under the Predecessor Term Loan Facility at any time without premium or penalty, other than customary “breakage” costs with respect to LIBOR loans. As of and for the year ended December 31, 2017, the Company’s consolidated senior secured debt ratio was 0.66 and as a result no excess cash flow payment under the Predecessor Term Loan Facility was required. However, the Company elected on November 3, 2017 to voluntarily prepay $40.0 million on the Predecessor Term Loan Facility to further reduce its outstanding indebtedness bringing the cumulative voluntary 2016 and 2017 Predecessor Term Loan Facility payments to $200.0 million as the Company elected on March 10, 2016 and August 4, 2016 to voluntarily prepay $30.0 million on each date and elected on November 4, 2016 to voluntarily pay an additional $100.0 million on the Predecessor Term Loan Facility.

The Predecessor Term Loan Facility was secured on a first-priority lien basis by the stock of Ply Gem Industries and by substantially all of the assets (other than the assets securing the obligations under the ABL Facility, which primarily consist of accounts receivable, inventory, cash, deposit accounts, securities accounts, chattel paper, contract rights, instruments, documents related thereto and proceeds of the foregoing) of Ply Gem Industries and the Guarantors that are subsidiaries of Ply Gem Industries and on a second-priority lien basis by the assets that secure the ABL Facility.

The Predecessor Term Loan Facility included negative covenants, subject to certain exceptions, that are substantially the same as the negative covenants in the Predecessor Notes but does not contain any restrictive financial covenants. The Predecessor Term Loan Facility also restricted the ability of Ply Gem Industries’ subsidiaries to enter into agreements restricting their ability to grant liens to secure the Predecessor Term Loan Facility and contains a restriction on changes in fiscal year.

In connection with the closing of the Merger, all obligations under the Predecessor Term Loan Facility were repaid and the credit agreement governing the Predecessor Term Loan Facility was terminated.

Senior Secured Asset Based Revolving Credit Facility due 2020

On November 5, 2015, Ply Gem Holdings, Ply Gem Industries, Inc., Gienow Canada Inc., and Mitten Inc. (together with Gienow, the “Canadian Borrowers”) entered into a second amended and restated credit agreement governing the Senior Secured Asset Based Revolving Credit Facility due 2020 (the “Predecessor ABL Facility”). Among other things, the second amendment and restatement of the credit agreement governing the Predecessor ABL Facility: (i) increased the overall facility to $350.0 million from $300.0 million, (ii) established an accordion feature of $50.0 million, (iii) reduced the applicable margin for borrowings under the Predecessor ABL Facility to a range from 1.25% to 2.00% for Eurodollar rate loans, depending on availability, and (iv) extended the maturity until November 5, 2020. Under the Predecessor ABL Facility, $300.0 million is available to Ply Gem Industries and $50.0 million is available to the Canadian Borrowers. The following summary describes the Predecessor ABL Facility after giving effect to the second amendment and restatement. As a result of the November 2015 Predecessor ABL Facility amendment in which the loan syndication consisted of previous members who either maintained or increased their position as well as new syndication members, the Company capitalized new debt issuance costs of $1.5 million and amortized these costs through 2020.

Borrowings under the Predecessor ABL Facility bore interest at a rate per annum equal to, at Ply Gem Industries’ option, either (a) a base rate determined by reference to the higher of (1) the corporate base rate of the administrative agent under the Predecessor ABL Facility and (2) the federal funds rate plus 0.5% or (b) a Eurodollar rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, in each case plus an applicable margin. The initial applicable margin for borrowings under the Predecessor ABL Facility was 0.50% for

TABLE OF CONTENTS

base rate loans and 1.50% for Eurodollar rate loans. The applicable margin for borrowings under the Predecessor ABL Facility is subject to step ups and step downs based on average excess availability under the Predecessor ABL Facility. Swingline loans bear interest at a rate per annum equal to the base rate plus the applicable margin.

In addition to paying interest on outstanding principal under the Predecessor ABL Facility, Ply Gem Industries was required to pay a commitment fee in respect of the unutilized commitments thereunder, which fee was determined based on utilization of the Predecessor ABL Facility (increasing when utilization is low and decreasing when utilization is high) multiplied by a commitment fee rate determined by reference to average excess availability under the Predecessor ABL Facility. The commitment fee rate during any fiscal quarter is 0.375% when average excess availability is greater than $100.0 million for the preceding fiscal quarter and 0.25% when average availability is less than or equal to $100.0 million for the preceding fiscal quarter. Ply Gem Industries must also pay customary letter of credit fees equal to the applicable margin on Eurodollar loans and agency fees. As of December 31, 2017, the Company's interest rate on the Predecessor ABL Facility was approximately 2.56%. The Predecessor ABL Facility requires that if (a) excess availability is less than the greater of (x) 10.0% of the lower of the borrowing base and the aggregate commitments and (y) $25.0 million or (b) any event of default has occurred and is continuing, Ply Gem Industries must comply with a minimum fixed charge coverage ratio test of 1.0 to 1.0. If the excess availability under the Predecessor ABL Facility is less than the greater of (a) 12.5% of the lesser of the borrowing base and the aggregate commitments and (b) $30.0 million ($27.5 million for the months of January, February, March and April) for a period of 5 consecutive days or an event of default has occurred and is continuing, all cash from Ply Gem Industries material deposit accounts (including all concentration accounts) will be swept daily into a collection account controlled by the administrative agent under the Predecessor ABL Facility and used to repay outstanding loans and cash collateralize letters of credit.

All obligations under the Predecessor ABL Facility were unconditionally guaranteed by Ply Gem Holdings and substantially all of Ply Gem Industries' existing and future, direct and indirect, wholly owned domestic subsidiaries. All obligations under the Predecessor ABL Facility, and the guarantees of those obligations, were secured, subject to certain exceptions, by substantially all of the assets of Ply Gem Industries and the guarantors, including a first-priority security interest in personal property consisting of accounts receivable, inventory, cash, deposit accounts, and certain related assets and proceeds of the foregoing and a second-priority security interest in, and mortgages on, substantially all of Ply Gem Industries' and the Guarantors' material owned real property and equipment and all assets that secure the Predecessor Term Loan Facility on a first-priority basis. In addition to being secured by the collateral securing the obligations of Ply Gem Industries under the domestic collateral package, the obligations of the Canadian Borrowers, which are borrowers under the Canadian sub-facility under the Predecessor ABL Facility, were also secured by a first-priority security interest in substantially all of the assets of such Canadian subsidiaries, plus additional mortgages in Canada, and a pledge by Ply Gem Industries of the remaining 35% of the equity interests of the Canadian Borrowers pledged only to secure the Canadian sub-facility.

The Predecessor ABL Facility contained certain covenants that limit Ply Gem Industries' ability and the ability of Ply Gem Industries' subsidiaries to incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem their stock, make loans and investments, sell assets, incur certain liens, enter into transactions with affiliates, and consolidate, merge or sell assets.

In connection with the closing of the Merger, all obligations under the Predecessor ABL Facility were repaid and the credit agreement governing the Predecessor ABL Facility was terminated.

TABLE OF CONTENTS

7. PENSION PLANS

The Company has two pension plans, the Ply Gem Group Pension Plan and the MW Manufacturers, Inc. Retirement Plan. The Company's net periodic benefit expense for the combined plans for the periods indicated consists of the following components:

	Successor	Predecessor	Predecessor
(Amounts in thousands)	April 13, 2018 – June 30, 2018	April 1, 2018 – April 12, 2018	Three months ended July 1, 2017
Service cost	$ —	$ —	$ —
Interest cost	360	55	459
Expected return on plan assets	(514)	(79)	(546)
Amortization of loss	306	47	351
Net periodic benefit expense	$ 152	$ 23	$ 264

	Successor	Predecessor	Predecessor
(Amounts in thousands)	April 13, 2018 – June 30, 2018	January 1, 2018 – April 12, 2018	Six months ended July 1, 2017
Service cost	$ —	$ —	$ —
Interest cost	360	470	917
Expected return on plan assets	(514)	(672)	(1,093)
Amortization of loss	306	400	702
Net periodic benefit expense	$ 152	$ 198	$ 526

8. COMMITMENTS AND CONTINGENCIES

Indemnifications

In connection with the Ply Gem acquisition, in which Ply Gem Industries was acquired from Nortek, Inc. ("Nortek") in February 2004, Nortek has agreed to indemnify the Company for certain liabilities as set forth in the stock purchase agreement governing the Ply Gem acquisition. In the event Nortek is unable to satisfy amounts due under these indemnifications, the Company would be liable. The Company believes that Nortek has the financial capacity to honor its indemnification obligations and therefore does not anticipate incurring any losses related to liabilities indemnified by Nortek under the stock purchase agreement. A receivable related to this indemnification has been recorded in other long-term assets of approximately $0.6 million and $1.0 million at June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018 and December 31, 2017, the Company has recorded liabilities related to these indemnifications of approximately $0.3 million and $0.4 million, respectively, in current liabilities and $0.3 million and $0.6 million, respectively, in other long-term liabilities in the Company's condensed consolidated balance sheets, consisting of the following:

(Amounts in thousands)	June 30, 2018	December 31, 2017
Product claim liabilities	$ 138	$ 138
Multi-employer pension plan withdrawal liability	269	449
Other	241	439
	$ 648	$ 1,026

Warranty claims

The Company sells a number of products and offers a number of warranties. The specific terms and conditions of these warranties vary depending on the product sold. The Company estimates the costs that may be incurred under their warranties and records a liability for such costs at the time of sale. Factors that affect the Company's warranty liabilities include the number of units sold, historical and anticipated rates

TABLE OF CONTENTS

of warranty claims, cost per claim and new product introduction. The Company assesses the adequacy of the recorded warranty claims and adjusts the amounts as necessary. As of June 30, 2018 and December 31, 2017, warranty liabilities of approximately $21.9 million and $19.7 million, respectively, have been recorded in current liabilities and approximately $64.2 million and $57.7 million, respectively, have been recorded in long-term liabilities in the Company's condensed consolidated balance sheets.

Changes in the Company's short-term and long-term warranty liabilities are as follows:

	Successor	Predecessor	Predecessor
(Amounts in thousands)	April 13, 2018 – June 30, 2018	April 1, 2018 – April 12, 2018	Three months ended July 1, 2017
Balance, beginning of period	$ 78,184	$ 76,999	$ 78,451
Acquisition – Atrium	8,047	—	—
Warranty expense during period	5,895	1,961	5,545
Settlements made during period	(6,005)	(776)	(5,782)
Balance, end of period	$ 86,121	$ 78,184	$ 78,214

	Successor	Predecessor	Predecessor
(Amounts in thousands)	April 13, 2018 – June 30, 2018	January 1, 2018 – April 12, 2018	Six months ended July 1, 2017
Balance, beginning of period	$ 78,184	$ 77,317	$ 77,293
Acquisition – Atrium	8,047	—	—
Warranty expense during period	5,895	7,226	11,708
Settlements made during period	(6,005)	(6,359)	(10,787)
Balance, end of period	$ 86,121	$ 78,184	$ 78,214

Environmental

The Company is subject to United States and Canadian federal, state, provincial and local laws and regulations relating to pollution and the protection of the environment, including those governing emissions to air, discharges to water, use, storage, treatment, disposal and transport of hazardous waste and other materials, investigation and remediation of contaminated sites, and protection of worker health and safety. From time to time, the Company's facilities are subject to investigation by governmental authorities. In addition, the Company has been identified as one of many potentially responsible parties for contamination present at certain offsite locations to which it or its predecessors are alleged to have sent hazardous materials for recycling or disposal. The Company may be held liable, or incur fines or penalties, in connection with such requirements or liabilities for, among other things, releases of hazardous substances occurring on or emanating from current or formerly owned or operated properties or any associated offsite disposal location, or for known or newly-discovered contamination at any of the Company's properties from activities conducted by it or previous occupants. The amount of any liability, fine or penalty may be material, and certain environmental laws impose strict, and under certain circumstances joint and several, liability for the cost of addressing releases of hazardous substances upon certain classes of persons, including site owners or operators and persons that disposed or arranged for the disposal of hazardous substances at contaminated sites.

MW Manufacturers Inc. ("MW"), a subsidiary of MWM Holding, Inc., entered into an Administrative Order on Consent (the "Consent Order"), effective September 12, 2011, with the United States Environmental Protection Agency ("EPA"), under the Resource Conservation and Recovery Act ("RCRA"), with respect to its Rocky Mount, Virginia property.

During 2011, as part of the Consent Order, MW provided the EPA, among other things, a RCRA Facility Investigation Workplan (the “Workplan”) as well as a preliminary cost estimate of approximately $1.8 million for the predicted assessment, remediation and monitoring activities to be conducted pursuant to the Consent Order over the remediation period, which is currently estimated through 2023. In 2012, the EPA approved the Workplan, which MW is currently implementing. The Company has recorded approximately $0.3 million of this environmental liability within current liabilities at June 30, 2018 and December 31, 2017 and approximately

$0.9 million and $1.1 million within other long-term liabilities in the Company's condensed consolidated balance sheets at June 30, 2018 and December 31, 2017, respectively. The Company may incur costs that exceed our recorded environmental liability. The Company will adjust its environmental remediation liability in future periods, if necessary, as further information develops or circumstances change.

Environmental authorities are investigating groundwater contamination at a Superfund site in York, Nebraska. In 2010, sampling was conducted at the Kroy Building Products, Inc. ("Kroy") facility in York, Nebraska. In February 2015, the EPA sent Kroy a request for information pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), and in May 2015, Kroy responded to the request for information. Kroy could have liability for investigation and remediation costs associated with the contamination. Given the current status of this matter, the Company has not recorded a liability in its condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017.

Atrium has applied for a Municipal Setting Designation with regard to its former Wylie, Texas facility per the terms of the sale of that facility in 2016. The potential costs related to such matters and their possible impact on future operations are uncertain due in part to the uncertainty as to the extent of pollution, the complexity of applicable government laws and regulations and their interpretations, the varying costs and effectiveness of alternative cleanup technologies and methods, the uncertain level of insurance or other types of recovery and the extent of the Atrium's involvement. Given the current status of this matter, the Company has not recorded a liability in its condensed consolidated balance sheet as of June 30, 2018.

From time to time, the Company may incur investigation and remediation costs in connection with other facilities it currently owns or operates or previously owned or operated. For example, the Company has a $0.1 million liability included in its condensed consolidated balance sheets at June 30, 2018 and December 31, 2017, for potential contamination issues at its Calgary, Alberta property. In addition, the Company is required to contribute to investigation and remediation costs at various third party waste disposal facilities at which the Company or a related entity has been identified as a potentially responsible party.

The Company is a party to various acquisition and other agreements pursuant to which third parties agreed to indemnify the Company for certain costs relating to environmental liabilities. For example, the Company may be able to recover some of its Rocky Mount, Virginia investigation and remediation costs from U.S. Industries, Inc. and may be able to recover a portion of any costs incurred in connection with the Kroy contamination matter in York, Nebraska from Alcan Aluminum Corporation. The Company's ability to seek indemnification from parties that have agreed to indemnify it may be limited. There can be no assurance that the Company would receive any funds from these parties, and any related environmental liabilities or costs could have a material adverse effect on our financial condition and results of operations.

Based on current information, the Company is not aware of any environmental compliance obligations, claims or investigations that will have a material adverse effect on its results of operations, cash flows or financial position except as otherwise disclosed in the Company's condensed consolidated financial statements. However, there can be no guarantee that previously known or newly-discovered matters will not result in material costs or liabilities.

Self-insured risks

The Company maintains a broad range of insurance policies which include general liability insurance coverage and workers compensation. These insurance policies protect the Company against a portion of the risk of loss from claims. However, the Company retains a portion of the overall risk for such claims through its self-insured per occurrence and aggregate retentions, deductibles, and claims in excess of available insurance policy limits. The Company's general liability insurance includes coverage for certain damages arising out of product design and manufacturing defects. The Company's insurance coverage is generally subject to a per occurrence retention and certain coverage exclusions.

The Company reserves for costs associated with claims, as well as incurred but not reported losses ("IBNR"), based on an outside actuarial analysis of its historical claims. These estimates make up a significant portion of the Company's liability and are subject to a high degree of uncertainty due to a variety of factors, including changes in type of claims, claims reporting and resolution patterns, frequency

TABLE OF CONTENTS

and timing of claims, third party recoveries, estimates of claim values, claims management expenses (including legal fees and expert fees), insurance industry practices, the regulatory environment, and legal precedent. Adjustments to estimated reserves are recorded in the period in which the change in estimate occurs.

Litigation

During the past several years, the Company incurred increased litigation expense primarily related to the claims discussed below. The Company believes it has valid defenses to the outstanding claims discussed below and will vigorously defend all such claims; however, litigation is subject to many uncertainties and there cannot be any assurance that the Company will ultimately prevail or, in the event of an unfavorable outcome or settlement of litigation, that the ultimate liability would not be material and would not have a material adverse effect on the business, results of operations, cash flows or financial position of the Company.

In John Gulbankian v. MW Manufacturers, Inc. ("Gulbankian"), a purported class action filed in March 2010 in the United States District Court for the District of Massachusetts, plaintiffs, on behalf of themselves and all others similarly situated, alleged damages as a result of the defective design and manufacture of certain MW vinyl clad windows. In Eric Hartshorn and Bethany Perry v. MW Manufacturers, Inc. ("Hartshorn"), a purported class action filed in July 2012 in the District Court, plaintiffs, on behalf of themselves and all others similarly situated, alleged damages as a result of the defective design and manufacture of certain MW vinyl clad windows. In April 2014, plaintiffs in both the Gulbankian and Hartshorn cases filed a Consolidated Amended Class Action Complaint, making similar claims against all MW vinyl clad windows.

MW entered into a settlement agreement with plaintiffs as of April 2014 to settle both the Gulbankian and Hartshorn cases on a nationwide basis (the "Vinyl Clad Settlement Agreement"). The Vinyl Clad Settlement Agreement provides that this settlement applies to any and all MW vinyl clad windows manufactured from January 1, 1987 through May 23, 2014, and provides for a cash payment for eligible consumers submitting qualified claims showing, among other requirements, certain damage to their MW vinyl clad windows. The period for submitting qualified claims is the later of: (i) May 28, 2016, or (ii) the last day of the warranty period for the applicable window. On December 29, 2014, the District Court granted final approval of this settlement, as well as MW's payment of attorneys' fees and costs to plaintiffs' counsel in the amount of $2.5 million. The Company and MW deny all liability in the settlements with respect to the facts and claims alleged. The Company, however, is aware of the substantial burden, expense, inconvenience and distraction of continued litigation, and therefore agreed to settle these matters.

As a result of the Vinyl Clad Settlement Agreement, the Company has a liability of approximately $1.4 million as of June 30, 2018 and December 31, 2017, with $0.7 million as a current liability within accrued expenses and $0.7 million as a noncurrent liability within other long-term liabilities in the Company's condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017. It is possible that the Company may incur costs in excess of the recorded amounts; however, the Company currently expects that the total net cost will not exceed this liability.

In Anthony Pagliaroni et al. v. Mastic Home Exteriors, Inc. and Deceuninck North America, LLC, a purported class action filed in January 2012 in the United States District Court for the District of Massachusetts, plaintiffs, on behalf of themselves and all others similarly situated, allege damages as a result of the defective design and manufacture of Oasis composite deck and railing, which was manufactured by Deceuninck North America, LLC ("Deceuninck") and sold by Mastic Home Exteriors, Inc. ("MHE"). The hearing regarding plaintiffs' motion for class certification was held on March 10, 2015, and the District Court denied plaintiffs' motion for class certification on September 22, 2015. On October 6, 2015, plaintiffs filed a petition for interlocutory appeal of the denial of class certification to the U.S. Court of Appeals for the First Circuit, and on April 12, 2016, the Court of Appeals denied this petition for appeal. In June 2018, MHE agreed to settle this matter with Deceuninck and the remaining individual plaintiffs, with all costs being paid by Deceuninck. MHE denies all liability in the settlement with respect to the facts and claims alleged. MHE, however, is aware of the substantial burden, expense, inconvenience and distraction of continued litigation, and therefore agreed to settle this matter.

TABLE OF CONTENTS

In re Ply Gem Holdings, Inc. Securities Litigation is a purported federal securities class action filed on May 19, 2014 in the United States District Court for the Southern District of New York against Ply Gem Holdings, several of its directors and officers, and the underwriters associated with the Company's initial public offering ("IPO"). It is filed on behalf of all persons or entities, other than the defendants, who purchased the common shares of the Company pursuant and/or traceable to the Company's IPO and seeks remedies under Sections 11 and 15 of the Securities Act of 1933, alleging that the Company's Form S-1 registration statement was negligently prepared and materially inaccurate, containing untrue statements of material fact and omitting material information which was required to be disclosed. On October 14, 2014, Strathclyde Pension Fund was certified as lead plaintiff, and class counsel was appointed. Pursuant to the Underwriting Agreement, dated May 22, 2013, entered into in connection with the IPO, the Company has agreed to reimburse the underwriters for the legal fees and other expenses reasonably incurred by the underwriters' law firm in its representation of the underwriters in connection with this matter. Pursuant to Indemnification Agreements, dated as of May 22, 2013, between the Company and each of the directors and officers named in this action, the Company has agreed to assume the defense of such directors and officers. The parties agreed to settle the matter for approximately $26.0 million, and this settlement was approved by the Court in June 2018. The defendants deny all liability in the settlement and with respect to the facts and claims alleged. The Company, however, is aware of the substantial burden, expense, inconvenience and distraction of continued litigation, and therefore agreed to settle this matter. The Company accrued the settlement costs of $26.0 million within accrued expenses as of December 31, 2017 in the Company's condensed consolidated balance sheet, and also recognized an insurance receivable of $25.4 million within other current assets that was offset by insurance proceeds of $8.7 million from an insurance carrier, for a net insurance receivable of $16.7 million as of December 31, 2017 in the Company's condensed consolidated balance sheet as certain of its directors' and officers' liability insurance carriers are to fund the majority of the settlement amount with the Company agreeing to pay certain disputed litigation expenses of approximately $0.6 million. During April 2018, the Company paid $9.3 million to settle this litigation and released the remaining $16.7 million liability and offsetting insurance receivable associated with this settlement.

In Kiefer et al. v. Simonton Building Products, LLC et al., a purported class action filed on October 17, 2016 in the United States District Court for the District of Minnesota, plaintiffs, on behalf of themselves and all others similarly situated, allege damages as a result of, among other things, the defective design and manufacture of certain Simonton windows containing two-pane insulating glass units. On April 17, 2017, the District Court granted the defendants' motion to dismiss the complaint. Plaintiffs filed a notice of appeal and its appellant brief on May 16, 2017 and July 7, 2017, respectively, defendants filed its appellee brief on August 7, 2017, and plaintiffs filed its reply brief on August 21, 2017. In June 2018, the parties agreed to settle this matter for a nominal amount. The defendants deny all liability in the settlement and with respect to the facts and claims alleged. The Company, however, is aware of the substantial burden, expense, inconvenience and distraction of continued litigation, and therefore agreed to settle this matter.

In Gazzillo et al. v. Ply Gem Industries, Inc. et al., a purported class action filed on September 26, 2017 in the United States District Court for the Northern District of New York, plaintiffs, on behalf of themselves and all others similarly situated, allege damages as a result of, among other things, the defective design and manufacture of certain vinyl siding products. The plaintiffs seek a variety of relief, including (i) economic and compensatory damages, (ii) punitive or other exemplary damages, (iii) pre- and post-judgment interest, and (iv) attorneys' fees and costs of litigation. On March 2, 2018, defendants filed a motion to dismiss the complaint, and this motion is pending. The damages sought in this action have not yet been quantified.

Certain shareholders holding approximately 1,172,009 shares of Ply Gem Holdings common stock (the "Shares") have exercised appraisal rights to demand appraisal of their Shares in connection with the Ply Gem Merger. By exercising appraisal rights, these shareholders seek an appraisal for, and to be paid the "fair value" in cash of, their Shares (as determined by the Court of Chancery of the State of Delaware) instead of receiving the Merger Consideration paid pursuant to the Ply Gem Merger Agreement. The amount of consideration ultimately paid to these shareholders could be more or less than the Merger Consideration. As of June 30, 2018, the Company has a current liability of $25.4 million within accrued expenses on its

TABLE OF CONTENTS
condensed consolidated balance sheets for this appraisal rights liability. During the Successor period, Ply Gem Holdings paid $19.5 million in connection with the appraisal rights demand, which has been recognized as a financing activity within the Company's condensed consolidated statement of cash flows.

Other contingencies

The Company is subject to other contingencies, including legal proceedings and claims arising out of its operations and businesses that cover a wide range of matters, including, among others, environmental, contract, employment, intellectual property, securities, personal injury, property damage, product liability, warranty, and modification, adjustment or replacement of component parts or units sold, which may include product recalls. Product liability, environmental and other legal proceedings also include matters with respect to businesses previously owned. The Company has used various substances in products and manufacturing operations, which have been or may be deemed to be hazardous or dangerous, and the extent of its potential liability, if any, under environmental, product liability and workers' compensation statutes, rules, regulations and case law is unclear. Further, due to the lack of adequate information and the potential impact of present regulations and any future regulations, there are certain circumstances in which no range of potential exposure may be reasonably estimated. Also, it is not possible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities, including lawsuits, and therefore no such estimate has been made as of June 30, 2018.

9. ACCRUED EXPENSES AND OTHER LONG-TERM LIABILITIES

Accrued expenses consist of the following at June 30, 2018 and December 31, 2017:

	Successor	Predecessor
(Amounts in thousands)	June 30, 2018	December 31, 2017
Insurance	$ 9,489	$ 7,637
Employee compensation and benefits	24,186	19,720
Sales and marketing	51,405	58,131
Product warranty	21,923	19,652
Accrued freight	4,000	3,696
Accrued interest	35,659	18,027
Accrued pension	1,358	1,358
Accrued sales returns and discounts	2,022	1,303
Accrued taxes	12,416	4,735
Undistributed appraisal shares liability	25,362	—
Litigation accrual	700	26,849
Other	49,120	24,749
	$ 237,640	$ 185,857

Other long-term liabilities consist of the following at June 30, 2018 and December 31, 2017:

	Successor	Predecessor
(Amounts in thousands)	June 30, 2018	December 31, 2017
Insurance	$ 3,750	$ 595
Pension liabilities	12,677	12,805
Multi-employer pension withdrawal liability	269	449
Product warranty	64,198	57,665
Long-term environmental liability	1,069	1,075

Liabilities for tax uncertainties	4,717	4,529
Litigation accrual	644	731
Other	3,752	5,575
	$ 91,076	$ 83,424

TABLE OF CONTENTS

Long-term incentive plan

Prior to the Merger, the Company sponsored a long-term incentive plan ("LTIP") for certain employees. The long-term incentive plan was implemented to retain and incentivize key employees. In connection with the Merger, each LTIP award outstanding as of April 12, 2018 was cancelled, extinguished, and converted into the right to receive a cash payment, equal to the Merger Consideration for each restricted stock unit under a 2017 LTIP Award, and the applicable amount of cash for each other LTIP award denominated as a fixed dollar amount. The total amount of Merger Consideration for LTIP awards of $17.9 million was paid in April 2018. See Note 2 — Acquisitions and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Overview" for further discussion of the Merger.

During the three months ended June 30, 2018 and July 1, 2017, the Company recognized a LTIP expense of $0.2 million and $1.2 million, respectively, which has been recorded within selling, general, and administrative expenses in the condensed consolidated statements of operations and comprehensive income (loss). During the six months ended June 30, 2018 and July 1, 2017, the Company recognized a LTIP expense of $1.0 million and $2.7 million, respectively, which has been recorded within selling, general, and administrative expenses in the condensed consolidated statements of operations and comprehensive income (loss). The LTIP liability was $0.0 million and $9.5 million as of June 30, 2018 and December 31, 2017, respectively, of which $0.0 million and $6.0 million has been recorded within accrued expenses and $0.0 million and $3.5 million in other long-term liabilities in the condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017, respectively.

During the year ended December 31, 2017, the Company made certain modifications to the LTIP program which transformed the 2017 LTIP awards to an equity based award rather than the previous liability award. These changes consisted of granting restricted stock units at the outset of the award rather than a fixed dollar amount which had been the methodology for the previous LTIP awards. As a result, the Company recognized the 2017 LTIP awards within additional paid in capital for $0.1 million and $0.6 million for the six months ended June 30, 2018 and as of December 31, 2017, respectively.

During the six months ended July 1, 2017, the Company issued 129,176 shares of its common stock based on a December 30, 2016 closing stock price of $16.25 to settle LTIP awards of $3.3 million. In connection with this settlement, the Company paid $1.2 million to tax authorities on behalf of these employees, which has been recognized as a financing activity in the Company's condensed consolidated statement of cash flows for the six months ended July 1, 2017.

10. INCOME TAXES

Tax Act

The Tax Act enacted on December 22, 2017, makes broad and complex changes to the Internal Revenue Code (the "Code") including, but not limited to, reducing the U.S. federal corporate tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries, generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries, a new tax named global intangible low taxed income ("GILTI") which requires a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations, eliminating the corporate Alternative Minimum Tax ("AMT") and changing how existing AMT credits can be realized, creating the base erosion anti-abuse tax ("BEAT"), creating a general limitation on deductible interest expense, and changing rules related to the utilization of net operating loss carryforwards created in tax years after December 31, 2017.

Due to the complexity of the new GILTI tax rules, the Company is currently evaluating the impact of this new tax. Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either treating taxes due under GILTI as a current-period expense when incurred or factoring these amounts into the Company's measurement of deferred taxes. The Company has elected to treat tax due under GILTI as a current-period expense when incurred. An estimate of the GILTI has been included in the annual effective tax rate.

ASC 740 Income Taxes requires a company to record the effects of a tax law change in the period of enactment. Due to the complexities involved in accounting for the recently enacted Tax Act, SAB 118 requires that the Company include in its consolidated financial statements a reasonable estimate of the

TABLE OF CONTENTS

impact of the Tax Act on earnings to the extent such reasonable estimate has been determined. Accordingly, the Company has performed an earnings and profits analysis associated with the one-time transition tax on certain unrepatriated earnings of foreign subsidiaries, and as a result of accumulated losses, there will be no income tax effect recorded as of June 30, 2018 based on the reasonable estimate guidance provided by SAB 118. The Company is continuing to assess the impact from the Tax Act and may record adjustments in 2018.

Effective tax rate

Under FASB Accounting Standards Codification 740-270, Income Taxes — Interim Reporting, each interim period is considered an integral part of the annual period and tax expense is measured using an estimated annual effective tax rate. Estimates of the annual effective tax rate at the end of interim periods are, of necessity, based on evaluation of possible future events and transactions and may be subject to subsequent refinement or revision. The Company calculates its quarterly tax provision consistent with the guidance provided by ASC 740-270, whereby the Company forecasts its estimated annual effective tax rate then applies that rate to its year-to-date pre-tax book income (loss). In addition, the Company excludes jurisdictions with a projected loss for the year or the year-to-date loss where the Company cannot recognize a tax benefit from its estimated annual effective tax rate. The impact of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections. In addition to the tax resulting from applying the estimated annual effective tax rate to pre-tax income (loss), the Company includes certain items treated as discrete events to arrive at an estimated effective tax rate. Future changes in the forecasted annual income (loss) projections, tax rate changes, or discrete tax items could result in significant adjustments to quarterly income tax expense (benefit) in future periods in accordance with ASC 740-270.

For the six months ended June 30, 2018, the Company's estimated annual effective income tax rate was approximately 39.2% which varied from the statutory rate primarily due to state income tax expense, valuation allowances, and foreign income taxes. The effective tax rate including discrete items related to unrecognized tax benefits, stock compensation, and adjustments to state income tax rates, was 19.7% for the six months ended June 30, 2018. The tax benefit for the three months ended June 30, 2018 was approximately $20.8 million and the tax expense for the three months ended July 1, 2017 was approximately $19.5 million. The tax benefit for the six months ended June 30, 2018 was approximately $21.4 million and the tax expense for the six months ended July 1, 2017 was approximately $18.2 million.

Valuation allowance

During the year ended December 31, 2016, the Company determined that a valuation allowance was no longer required against its federal deferred tax assets and a portion of its state deferred tax assets. Therefore, the Company released $86.5 million of its total valuation allowance during the year ended December 31, 2016 since positive evidence outweighed negative evidence thereby allowing the Company to achieve the "more likely than not" realization threshold. As of December 31, 2016, the Company was no longer in a three-year cumulative pre-tax loss position due to the significant improvement in the Company's profitability from the housing market recovery.

As of June 30, 2018 and December 31, 2017, the Company remains in a valuation allowance position against its deferred tax assets for certain state and Canadian jurisdictions as it is currently deemed "more likely than not" that the benefit of such net tax assets will not be utilized as the Company continues to be in a three-year cumulative loss position for these states and Canadian jurisdictions. Prior to the Merger, Atrium was in a full valuation allowance for all domestic jurisdictions. Significant deferred tax liabilities were recorded due to the Merger where the valuation allowances were no longer required for Atrium. The Company is in a net deferred tax liability position where certain state jurisdictions no longer required a valuation allowance. The Company will continue to monitor the positive and negative factors for these jurisdictions and make further changes to the valuation allowances as necessary. As a result of the Merger (see Note 2 — Acquisitions), net operating losses may be subject to limitation under Section 382.

Unrecognized tax benefits

Despite the Company's belief that its tax return positions are consistent with applicable tax laws, the Company believes that certain positions could be challenged by taxing authorities. The Company's tax

TABLE OF CONTENTS
reserves reflect the difference between the tax benefit claimed on tax returns and the amount recognized in the condensed consolidated financial statements. These reserves have been established based on management's assessment as to potential exposure attributable to permanent differences and interest and penalties applicable to both permanent and temporary differences. The tax reserves are reviewed periodically and adjusted in light of changing facts and circumstances, such as progress of tax audits, lapse of applicable statutes of limitations and changes in tax law. The Company is currently under examination by various taxing authorities. During the six months ended June 30, 2018, the tax reserves increased by approximately $0.2 million. The increase is related to interest expense related to unrecognized tax benefits.

The liability for unrecognized tax benefits as of June 30, 2018 was approximately $4.7 million and is recorded in other long-term liabilities in the accompanying condensed consolidated balance sheet. The corresponding amount of gross unrecognized tax benefit was approximately $16.5 million. The difference between the total unrecognized tax benefits and the amount of the liability for unrecognized tax benefits represents unrecognized tax benefits that have been netted against deferred tax assets related to net operating losses in accordance with ASC 740 in addition to accrued penalties and interest.

Tax Receivable Agreement

On May 22, 2013, the Company entered into a Tax Receivable Agreement (the "Tax Receivable Agreement") with PG ITR Holdco, L.P. (the "Tax Receivable Entity"). The Tax Receivable Agreement generally provides for the payment by the Company to the Tax Receivable Entity of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes in periods ending after the IPO as a result of (i) NOL carryovers from periods (or portions thereof) ending before January 1, 2013, (ii) deductible expenses attributable to the transactions related to the IPO and (iii) deductions related to imputed interest deemed to be paid by the Company as a result of or attributable to payments under the Tax Receivable Agreement. The term of the Tax Receivable Agreement will continue until all such benefits have been utilized or expired. The Company will retain the benefit of the remaining 15% of these tax savings. The Tax Receivable Agreement will obligate the Company to make payments to the Tax Receivable Entity generally equal to 85% of the applicable cash savings that is actually realized as a result of utilizing NOL carryovers once the tax returns are filed for that respective tax year.

The Company estimates that the total anticipated amount of future payments under the Tax Receivable Agreement could be up to approximately $48.3 million assuming no material changes in the relevant tax law.

As of June 30, 2018, the Company estimates the TRA liability to be approximately $48.3 million, after giving effect to the $5.2 million adjustment made during the three months ended June 30, 2018 due to the change of control feature in the agreement that was triggered by the April 12, 2018 Merger. During January 2018, the Company made a $26.5 million payment to the Tax Receivable Entity in settlement of the NOL usage on the 2016 tax returns.

As of June 30, 2018, the Company had a long-term liability of approximately $23.4 million and a current liability of $24.9 million, for the amount due pursuant to the Tax Receivable Agreement. As of December 31, 2017, the Company had a long-term liability of approximately $18.1 million and a current liability of $51.4 million, for the amount due pursuant to the Tax Receivable Agreement.

Other

As of June 30, 2018, the Company has not established U.S. deferred taxes on unremitted earnings of the Company's foreign subsidiaries. Notwithstanding the provisions within the American Jobs Creation Act of 2004, the Company continues to consider these amounts to be permanently reinvested. Enactment of the Tax Act imposed a one-time U.S. federal tax on the deemed repatriation of unremitted earnings abroad, which did not have a material impact on the Company's financial results. The indefinite reinvestment assertion continues to apply for the purpose of determining deferred tax liabilities for U.S. state and foreign withholding tax purposes.

TABLE OF CONTENTS

11. STOCK-BASED COMPENSATION

A rollforward of Company stock options outstanding during the period from January 1, 2018 to April 12, 2018 is presented below:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Balance at January 1, 2018	2,398,181	$ 14.02	3.43
Granted	—	—	—
Exercised	(231,878)	12.35	—
Forfeited or expired	—	—	—
April 12, 2018	2,166,303	$ 14.20	3.34

The Company recorded stock based compensation expense of $0.0 million and $0.1 million for the three months ended June 30, 2018 and July 1, 2017, respectively, and $0.1 million and $0.3 million for the six months ended June 30, 2018 and July 1, 2017, respectively, related to Company stock option grants.

In connection with the Merger, each Company stock option outstanding as of April 12, 2018 was canceled, extinguished and converted into the right to receive a cash payment equal to the Merger Consideration, less the exercise price applicable to such stock option. See Note 2 — Acquisitions and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Overview" for further discussion of the Merger. The total amount of Merger Consideration for outstanding stock options of $16.0 million was paid in April 2018. No additional stock-based compensation was recognized in the period from April 13, 2018 to June 30, 2018 as there were no outstanding stock-based compensation instruments outstanding during this time period.

Restricted stock

During December 2016, the Company issued an aggregate of 19,420 restricted shares of common stock in an equal number to each of the four independent members of the Board of Directors. These shares vested over the 2017 calendar period and the Company expensed these items as compensation expense, ratably during 2017. During the three and six months ended July 1, 2017, the Company expensed approximately $0.1 million and $0.2 million, respectively, related to these grants in selling, general, and administrative expenses within the condensed consolidated statement of operations and comprehensive income (loss).

During December 2017, the Company issued an aggregate of 16,440 restricted shares of common stock in an equal number to each of the four independent members of the Board of Directors. These shares were scheduled to vest over the 2018 calendar year and the Company expensed these items as compensation expense, ratably during 2018 prior to the Merger. During the three and six months ended June 30, 2018, the Company expensed approximately $0.0 million and $0.1 million, respectively, related to these grants in selling, general, and administrative expenses within the condensed consolidated statement of operations and comprehensive income (loss). In connection with the Merger, each restricted share outstanding as of April 12, 2018 was canceled, extinguished and converted into the right to receive the Merger Consideration. See Note 2 — Acquisitions and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Overview" for further discussion of the Merger.

12. SEGMENT INFORMATION

The Company defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. The Company has two reportable segments: (1) Siding, Fencing and Stone and (2) Windows and Doors. The income before income taxes of each segment includes the revenue generated on transactions involving products within that segment less identifiable expenses. Unallocated income and expenses include items that are not directly attributed to or allocated to either of the Company's reporting segments. Such

TABLE OF CONTENTS

items include interest, legal costs, corporate payroll, and unallocated finance, and accounting expenses. Unallocated corporate assets include cash and certain receivables. Interest expense is presented net of interest income.

Following is a summary of the Company’s segment information:

(Amounts in thousands)	Successor April 13, 2018 – June 30, 2018	Predecessor April 1, 2018 – April 12, 2018	Predecessor Three months ended July 1, 2017
Net sales			
Siding, Fencing and Stone	$ 247,193	$ 29,794	$ 263,593
Windows and Doors	350,743	39,945	281,174
	$ 597,936	$ 69,739	$ 544,767
Operating earnings (loss)			
Siding, Fencing and Stone	$ 6,815	$ 2,175	$ 47,580
Windows and Doors	24,704	2,417	24,725
Unallocated	(18,079)	(68,915)	(6,206)
	$ 13,440	$ (64,323)	$ 66,099

	Successor April 13, 2018 – June 30, 2018	Predecessor January 1, 2018 – April 12, 2018	Predecessor Six months ended July 1, 2017
Net sales			
Siding, Fencing and Stone	$ 247,193	$ 225,940	$ 454,430
Windows and Doors	350,743	303,703	520,352
	$ 597,936	$ 529,643	$ 974,782
Operating earnings (loss)			
Siding, Fencing and Stone	$ 6,815	$ 15,974	$ 67,403
Windows and Doors	24,704	7,625	26,154
Unallocated	(18,079)	(75,901)	(15,632)
	$ 13,440	$ (52,302)	$ 77,925

	Total assets as of	
	Successor June 30, 2018	Predecessor December 31, 2017
Total assets		
Siding, Fencing and Stone	$ 1,949,149	$ 728,502
Windows and Doors	1,880,625	500,278
Unallocated	56,472	90,787
	$ 3,886,246	$ 1,319,567

F-119

TABLE OF CONTENTS

13. RELATED PARTY TRANSACTIONS

During March 2015, the Company entered into retention agreements with the Company's Chief Executive Officer and Chief Financial Officer for $3.0 million and $1.3 million, respectively. These retention agreements incentivized these individuals for three years and required the Company to make cumulative payments of $4.3 million on December 31, 2017, if both individuals remain employed in their current positions on that date. The Company paid these retention amounts during the year ended December 31, 2017.

On January 31, 2018, the date the Ply Gem Merger Agreement was executed, Ply Gem Holdings entered into transaction bonus letter agreements with each of its Chief Executive Officer and Chief Financial Officer, granting each a right to a one-time payment of $7.0 million and $1.8 million, respectively, subject to the consummation of the Merger (each bonus, a "Transaction Bonus"). Payment of each Transaction Bonus was made during May 2018 as the closing of the Merger occurred on April 12, 2018. These Ply Gem Holdings Transaction Bonuses were recognized as acquisition costs in the Predecessor period in the Company's condensed consolidated statement of operations and comprehensive income (loss). Additionally, prior to the acquisition of Atrium, there were $8.1 million of Transaction Bonuses established by Atrium for the Atrium Chief Executive Officer and various other members of Atrium senior management for one-time payment, subject to the consummation of the Merger and the Atrium transaction. Payment of each Transaction Bonus was made during May 2018 as the closing of the Merger occurred on April 12, 2018. The Ply Gem Holdings and Atrium Transaction Bonuses were part of the accrued purchase consideration along with the appraisal liability of $44.9 million, LTIP and stock option liability of $34.1 million and professional fees of $0.8 million.

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this discussion and in the unaudited condensed consolidated financial statements and accompanying notes presented in this Quarterly Report for the period ended June 30, 2018 should be read in conjunction with information set forth in Ply Gem Holdings' audited financial statements for the year ended December 31, 2017. Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are "forward-looking statements." See "Special Note Regarding Forward-Looking Statements." As used in this Quarterly Report for the period ended June 30, 2018, the "Company", "we", "us", and "our" refer to Ply Gem Midco and its subsidiaries in the Successor period and to Ply Gem Holdings and its subsidiaries in the Predecessor and 2017 period, except where the context otherwise requires or as otherwise indicated.

Overview

We are a leading manufacturer of exterior building products in North America, operating in two reportable segments: (i) Siding, Fencing and Stone and (ii) Windows and Doors, which comprised approximately 42% and 58% of our net sales, respectively, for the three months ended June 30, 2018. These two segments produce a comprehensive product line of vinyl siding, designer accents, cellular polyvinyl chloride ("PVC") trim, vinyl fencing, vinyl railing, stone veneer, roofing, and vinyl windows and doors used in both the new construction market and the home repair and remodeling market in the United States and Canada. Vinyl building products have the leading share of sales volume in siding and windows in the United States and Canada. We also manufacture vinyl and aluminum soffit and siding accessories, aluminum trim coil, wood windows, aluminum windows, vinyl and aluminum-clad windows and steel and fiberglass doors, enabling us to bundle complementary and color-matched products and accessories with our core products. We believe that our comprehensive product portfolio and geographically diverse, low cost manufacturing platform allow us to better serve our customers and provide us with a competitive advantage over other exterior building products suppliers.

On April 12, 2018, the Merger of Ply Gem and Atrium closed and each of Ply Gem's issued and outstanding shares of common stock were canceled and extinguished. We believe that Ply Gem and Atrium are highly complementary businesses and that our combination is strategically and financially compelling. Merger synergies are expected to be driven by procurement savings, manufacturing footprint consolidation, logistics optimization and efficiencies in selling, general and administrative expenses.

Our combined company now operates 32 manufacturing facilities across the U.S. and Canada. The Canadian manufacturing facilities are supported by a network of 26 distribution facilities. The Company has sales in all 50 states and all 10 Canadian provinces. We have strategically invested in vertical integration, bringing both our vinyl extrusion and resin compounding capabilities in-house, which we believe creates cost advantages relative to many of our competitors.

See Note 2 — Acquisitions for further specific disclosure around the Merger.

Financial statement presentation

Net Sales. Net sales represent the fixed selling price of our products plus certain shipping charges less applicable provisions for discounts and allowances. Allowances include cash discounts, volume rebates and returns among others.

Cost of products sold. Cost of products sold includes direct material and manufacturing costs, manufacturing depreciation, third-party and in-house delivery costs, product warranty expense, and non-cash charges of the fair value step up of inventory related to purchase price allocation from the Merger.

Selling, general and administrative expenses. Selling, general and administrative expenses ("SG&A expense") includes all non-product related operating expenses, including selling, marketing, research and development costs, information technology, and other general and administrative expenses.

Acquisition related expenses. Acquisition related expenses include costs that were incurred as a result of an acquisition or merger transaction. The acquisition related costs of the April 12, 2018 business combination amounted to $79.0 million and have been recognized as an expense for the current period and recorded in acquisition related expenses on the face of the condensed consolidated statements of operation and comprehensive income (loss).

TABLE OF CONTENTS

Operating earnings (loss). Operating earnings (loss) represents net sales less cost of products sold, SG&A expense, acquisition related expenses and amortization of intangible assets.

Impact of commodity pricing

PVC resin, aluminum, and glass are major components in the production of our products and changes in PVC resin, aluminum and glass prices have a direct impact on our cost of products sold. Historically, we have been able to pass on a substantial portion of significant price increases to our customers. The results of operations for individual quarters can be negatively impacted by a delay between the time of raw material cost increases and price increases that we implement in our products, or conversely can be positively impacted by a delay between the time of a raw material price decrease and competitive pricing moves that we implement accordingly.

Impact of weather

Since our building products are intended for exterior use, our sales and operating earnings tend to be lower during periods of inclement weather. Weather conditions in the first and fourth quarters of each calendar year historically result in these quarters producing significantly less sales revenue than in any other period of the year. As a result, we have historically had lower profits or higher losses in the first quarter, and reduced profits in the fourth quarter of each calendar year. Our results of operations for individual quarters in the future may be impacted by adverse weather conditions. In addition, favorable or unfavorable weather conditions may influence the comparability of our results from year to year or from quarter to quarter.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. We base these estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances, and these estimates form the basis for our judgments concerning the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. We periodically evaluate these estimates and judgments based on available information and experience. Actual results could differ from our estimates under different assumptions and conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted. For more information regarding our critical accounting policies and estimates please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies contained on pages F-59 to F-68 and Note 1 — Summary of Significa Accounting Policies to our consolidated financial statements. There have been no material changes to the critical accounting policies previously disclosed in that report.

TABLE OF CONTENTS

Results of Operations

The following table summarizes net sales and net income (loss) by segment and is derived from the accompanying condensed consolidated statements of operations and comprehensive income (loss) included in this report.

(Amounts in thousands)	Successor April 13, 2018 – June 30, 2018 (unaudited)	Predecessor April 1, 2018 – April 12, 2018 (unaudited)	Predecessor Three months ended July 1, 2017 (unaudited)
Net sales			
Siding, Fencing and Stone	$ 247,193	$ 29,794	$ 263,593
Windows and Doors	350,743	39,945	281,174
Operating earnings (loss)			
Siding, Fencing and Stone	6,815	2,175	47,580
Windows and Doors	24,704	2,417	24,725
Unallocated	(18,079)	(68,915)	(6,206)
Foreign currency gain (loss)			
Siding, Fencing and Stone	(386)	148	224
Windows and Doors	(1,130)	461	393
Interest income (expense), net			
Siding, Fencing and Stone	5	2	5
Windows and Doors	(39)	—	4
Unallocated	(43,729)	(2,599)	(17,389)
Income tax benefit (expense)			
Unallocated	11,428	9,331	(19,477)
Tax Receivable Agreement liability adjustment			
Unallocated	—	(5,237)	—
Net income (loss)	$ (20,411)	$ (62,217)	$ 29,859

F-123

TABLE OF CONTENTS

(Amounts in thousands)	Successor April 13, 2018 – June 30, 2018 (unaudited)	Predecessor January 1, 2018 – April 12, 2018 (unaudited)	Predecessor Six months ended July 1, 2017 (unaudited)
Net sales			
Siding, Fencing and Stone	$ 247,193	$ 225,940	$ 454,430
Windows and Doors	350,743	303,703	520,352
Operating earnings (loss)			
Siding, Fencing and Stone	6,815	15,974	67,403
Windows and Doors	24,704	7,625	26,154
Unallocated	(18,079)	(75,901)	(15,632)
Foreign currency gain (loss)			
Siding, Fencing and Stone	(386)	(103)	243
Windows and Doors	(1,130)	(29)	529
Interest income (expense), net			
Siding, Fencing and Stone	5	1	13
Windows and Doors	(39)	13	8
Unallocated	(43,729)	(19,046)	(34,273)
Income tax benefit (expense)			
Unallocated	11,428	9,923	(18,223)
Tax Receivable Agreement liability adjustment			
Unallocated	—	(5,237)	—
Net income (loss)	$ (20,411)	$ (66,780)	$ 26,222

Adjusted EBITDA

We define adjusted EBITDA as net income plus interest expense (net of interest income), provision (benefit) for income taxes, depreciation and amortization, non-cash foreign currency loss (gain), acquisition costs, non-cash charges of purchase price allocated to inventory, restructuring and integration expenses, retention costs, public company costs, stock option expense, management long term incentive plan expense, customer inventory buybacks, litigation class action charges, and tax receivable liability adjustments. Other companies may define adjusted EBITDA differently and, as a result, our measure of adjusted EBITDA may not be directly comparable to adjusted EBITDA of other companies. Management believes that the presentation of adjusted EBITDA included in these consolidated financial statements provides useful information to investors regarding our results of operations because it assists both investors and management in analyzing and benchmarking the performance and value of our business. The Company has included adjusted EBITDA because it is a key financial measure used by management to (i) internally measure our operating performance and (ii) determine our incentive compensation programs. In addition, the Company's debt agreements have certain covenants that apply ratios utilizing this measure of adjusted EBITDA.

TABLE OF CONTENTS

Although we use adjusted EBITDA as a financial measurement to assess the performance of our business, the use of adjusted EBITDA is limited because it does not include certain material costs, such as interest and taxes, necessary to operate our business. Adjusted EBITDA should be considered in addition to, and not as a substitute for, net earnings in accordance with GAAP as a performance measure. You are cautioned not to place undue reliance on adjusted EBITDA.

	For the three months ended	
(Amounts in thousands)	June 30, 2018	July 1, 2017
Net income (loss)	$ (82,628)	$ 29,859
Interest expense, net	46,360	17,380
Provision (benefit) for income taxes	(20,759)	19,477
Depreciation and amortization	32,919	13,102
EBITDA	(24,108)	79,818
Non cash loss (gain) on foreign currency transactions	907	(617)
Acquisition costs	78,988	—
Customer inventory buybacks	406	632
Restructuring/integration expense	1,331	455
Non cash charge of purchase price allocated to inventories	35,443	—
Public company costs	—	337
Retention expense	89	361
Long term incentive plan compensation	229	1,238
Stock option expense	—	92
Litigation – class action charges, net	—	825
Tax receivable agreement liability adjustment	5,237	—
Adjusted EBITDA	$ 98,522	$ 83,141

	For the six months ended	
(Amounts in thousands)	June 30, 2018	July 1, 2017
Net income (loss)	$ (87,191)	$ 26,222
Interest expense, net	62,795	34,252
Provision (benefit) for income taxes	(21,351)	18,223
Depreciation and amortization	46,354	26,555
EBITDA	607	105,252
Non cash loss (gain) on foreign currency transactions	1,648	(772)
Acquisition costs	78,988	—
Customer inventory buybacks	1,858	1,198
Restructuring/integration expense	1,549	1,412
Non cash charge of purchase price allocated to inventories	35,443	—
Public company costs	500	774
Retention expense	192	722

Long term incentive plan compensation	985	2,672
Stock option expense	36	263
Litigation – class action charges, net	—	1,113
Tax receivable agreement liability adjustment	5,237	—
Adjusted EBITDA	$ 127,043	$ 112,634

F-125

TABLE OF CONTENTS

Our business is seasonal and the results of operations for the periods presented are not necessarily indicative of the results for a full fiscal year or any future period.

This review of performance is organized by business segment, reflecting the way we manage our business. Each business group leader is responsible for operating results down to operating earnings. We use operating earnings as a performance measure as it captures the income and expenses within the management control of our business leaders. Corporate management is responsible for making all financing decisions. Therefore, each segment discussion focuses on the factors affecting operating earnings, while interest expense and income taxes and certain other unallocated expenses are separately discussed at the corporate level.

Our consolidated financial performance for the three months and six months ended June 30, 2018 includes the non-cash negative impact that resulted from the fair value step-up in inventory, property and equipment, and intangible assets associated with the Merger of Ply Gem and Atrium which was completed on April 12, 2018. The non-cash fair value step-up impacted our consolidated gross profit, depreciation expense and amortization expense by $35.4 million, ($1.4 million), and $18.7 million respectively which resulted in a non-cash negative impact on our operating earnings of $52.7 million for the three and six months ended June 30, 2018. In addition, our financial performance was negatively impacted by acquisition related costs of $79.0 million during the three and six months ended June 30, 2018.

The following tables set forth our results of operations based on the amounts and the percentage relationship of the items listed to net sales for the periods indicated. However, our results of operations set forth in the tables below may not necessarily be representative of our future operating results. Our Windows and Doors segment results for the three months and six months ended June 30, 2018 reflect the April 12, 2018 Merger of Atrium with Ply Gem.

Siding, Fencing and Stone Segment

	For the three months ended			
(Amounts in thousands)	June 30, 2018		July 1, 2017	
	(unaudited)		(unaudited)	
Statement of operations data:				
Net sales	$ 276,987	100.0%	$ 263,593	100.0%
Gross profit	44,579	16.1%	73,032	27.7%
SG&A expense (including acquisition costs)	23,209	8.4%	23,270	8.8%
Amortization of intangible assets	12,380	4.5%	2,182	0.8%
Operating earnings	8,990	3.2%	47,580	18.1%
Currency transaction gain (loss)	(238)	(0.1)%	224	0.1%

Net Sales

Net sales for the three months ended June 30, 2018 increased $13.4 million or 5.1% compared to the three months ended July 1, 2017. The 5.1% net sales increase was driven by a $10.5 million or 4.4% net sales increase for the U.S. market and a net sales increase of $2.9 million or 13.1% for the Canadian market. Our average selling prices increased in response to higher commodity costs resulting in higher net sales of approximately $16.6 million during the three months ended June 30, 2018 compared to the three months ended July 1, 2017. In the U.S. market, the 4.4% net sales increase resulted from higher average selling prices of 7.9%, which increased in response to higher material costs. Our vinyl siding unit sales decreased by 3.0% during the three months ended June 30, 2018 compared to the three months ended July 1, 2017 as a result of maintaining our price discipline in the marketplace and corresponding aggressive price action taken by certain competitors. In Canada, we achieved the 13.1% net sales increase from higher average selling prices of 5.0% and a favorable foreign currency impact of $1.3 million.

TABLE OF CONTENTS

Our building products are typically installed on a new construction home 90 to 120 days after the start of the home, therefore, single family housing starts commencing in the period from December 2017 to March 2018 directly impacts the demand for our products for the three months ended June 30, 2018. According to the U.S. Census Bureau, single family housing starts increased 7.6% during this lag affected time period reflecting these improved market conditions. In addition to the new construction market improvement, remodeling activity, according to the Leading Indicator of Remodeling Activity ("LIRA"), reflected the 2018 second quarter trailing twelve months increasing 6.6% compared to the 2017 period. However, due to the relative high dollar value or "big ticket" nature of our replacement products, we believe that true remodeling market demand for our big ticket exterior products actually increased approximately 1.0%. Since our Siding, Fencing, and Stone segment is heavily weighted to the repair and remodeling market, we estimate the weighted average U.S. market increase to be 3.3% for the three months ended June 30, 2018, which was higher than our 3.0% unit net sales decrease in the U.S. for the three months ended June 30, 2018 due to our focus on maintaining price discipline combined with aggressive price action taken by competitors in the marketplace that negatively impacted our unit net sales but which was completely offset with our average sales price increases which led to the overall 4.4% in net sales. Our U.S. market position in vinyl siding decreased from 40.5% to 38.5% during the three months ended June 30, 2018 relative to the three months ended July 1, 2017 while our share of the Canadian vinyl siding market improved from 33.2% to 34.1% for the comparable three month period.

Gross Profit

Gross profit for the three months ended June 30, 2018 decreased $28.5 million or 39.0% compared to the three months ended July 1, 2017. Gross profit was negatively impacted $30.9 million by the non-cash inventory fair value step-up associated with the Merger completed on April 12, 2018 which increased cost of goods sold during the three months ended June 30, 2018. Excluding the impact of this step-up, gross profit would have increased $2.5 million or 3.4%. This gross profit increase resulted from our ability to maintain price discipline resulting in a 7.9% increase in average selling prices which was partially offset by higher raw material input costs which negatively impacted gross profit by $11.7 million during the three months ended June 30, 2018 compared to the three months ended July 1, 2017. The Midwest Ingot price of aluminum and PVC resin increased 29.7% and 6.0%, respectively, during the three months ended June 30, 2018 relative to the three months ended July 1, 2017. In addition to the higher material costs, we also incurred increased freight expenses from driver and lane shortages during the three months ended June 30, 2018 of $2.3 million relative to the three months ended July 1, 2017 that negatively impacted our gross profit.

As a percentage of net sales, gross profit decreased from 27.7% for the three months ended July 1, 2017 to 16.1% for the three months ended June 30, 2018. Excluding the fair value inventory step-up, our gross profit would have been 27.3% for the three months ended June 30, 2018, a decrease of 40 basis points relative to the three months ended July 1, 2017. The gross profit decrease resulted from increased raw material costs primarily for aluminum and PVC resin and higher freight expenses not yet fully offset by our selling prices that were implemented during the first quarter of this year.

Selling, general and administrative expenses

SG&A expense for the three months ended June 30, 2018 was consistent with the three months ended July 1, 2017 at $23.2 million and $23.3 million for the respective periods. As a percentage of net sales, SG&A expense decreased to 8.4% for the three months ended June 30, 2018 from 8.8% for the comparative prior year period as we gained leverage on the fixed component of SG&A expenses.

Amortization of intangible assets

Amortization expense for the three months ended June 30, 2018 increased $10.2 million or 467.4% relative to the three months ended July 1, 2017 due to the $10.2 million of increased amortization expense associated with the fair value step-up of Ply Gem's intangible assets associated with the Merger. Excluding this $10.2 million, amortization expense was consistent between periods. As a percentage of net sales, amortization expense remained consistent at 0.8% for the three months ended June 30, 2018 and the three months ended July 1, 2017 excluding the amortization associated with the fair value step-up.

Currency transaction gain (loss)

The currency transaction loss for the three months ended June 30, 2018 was $0.2 million resulting from the impact of the Canadian dollar fluctuation. The currency transaction gain for the three months ended July 1, 2017 was $0.2 million resulting from the fluctuation in the Canadian dollar during the period.

	For the six months ended			
(Amounts in thousands)	June 30, 2018		July 1, 2017	
	(unaudited)		(unaudited)	
Statement of operations data:				
Net sales	$ 473,133	100.0%	$ 454,430	100.0%
Gross profit	85,269	18.0%	118,995	26.2%
SG&A expense (including acquisition costs)	47,825	10.1%	47,146	10.4%
Amortization of intangible assets	14,732	3.1%	4,446	1.0%
Operating earnings	22,789	4.8%	67,403	14.8%
Currency transaction gain (loss)	(489)	(0.1)%	243	0.1%

Net Sales

Net sales for the six months ended June 30, 2018 increased $18.7 million or 4.1% compared to the six months ended July 1, 2017. The 4.1% net sales increase was driven by a $13.8 million or 3.3% net sales increase for the U.S. market and a net sales increase of $4.9 million or 13.9% for the Canadian market. Our average selling prices increased in response to higher commodity costs resulting in higher net sales of approximately $24.7 million during the six months ended June 30, 2018 compared to the six months ended July 1, 2017. In the U.S. market, the 3.3% net sales increase resulted predominantly from higher average selling prices of 5.0%, which increased in response to higher material costs. Our vinyl siding unit sales decreased by 1.1% during the six months ended June 30, 2018 compared to the six months ended July 1, 2017 as a result of maintaining our price discipline in the marketplace as well as the series of nor'easters which hit the heavy vinyl siding concentrated area in the Northeast during February and March of 2018. In Canada, we achieved the 13.9% net sales increase from higher average selling prices of 4.7% and a favorable foreign currency impact of $2.3 million. Overall, we achieved the 4.1% net sales increase from improved volume in Canada, improved average selling prices which were increased in response to higher material costs that were partially offset by inventory buybacks of $1.6 million during the six months ended June 30, 2018.

Our building products are typically installed on a new construction home 90 to 120 days after the start of the home, therefore, single family housing starts commencing in the period from September 2017 to March 2018 directly impacts the demand for our products for the six months ended June 30, 2018. According to the U.S. Census Bureau, single family housing starts increased 7.8% during this lag affected time period reflecting these improved market conditions. In addition to the new construction market improvement, remodeling activity, according to the Leading Indicator of Remodeling Activity ("LIRA"), reflected the 2018 second quarter trailing twelve months increasing 6.6% compared to the 2017 period. However, due to the relative high dollar value or "big ticket" nature of our replacement products, we believe that true remodeling market demand for our big ticket exterior products actually increased approximately 1.0%. Since our Siding, Fencing, and Stone segment is heavily weighted to the repair and remodeling market, we estimate the weighted average U.S. market increase to be 3.4% for the six months ended June 30, 2018, which was higher than our 1.1% unit net sales decrease in the U.S. for the six months ended June 30, 2018 due to our focus on maintaining price discipline combined with aggressive price action taken by competitors in the marketplace that negatively impacted our unit net sales but which was completely offset with our average sales price increases which led to the overall 3.3% net sales increase. Our U.S. market position in vinyl siding decreased from 40.0% to 39.1% during the six months ended June 30, 2018 relative to the six months ended July 1, 2017 while our share of the Canadian vinyl siding market improved from 31.0% to 32.1% for the comparable six month period.

TABLE OF CONTENTS

Gross Profit

Gross profit for the six months ended June 30, 2018 decreased $33.7 million or 28.3% compared to the six months ended July 1, 2017. Gross profit was negatively impacted $30.9 million by the non-cash inventory fair value step-up associated with the Merger which increased cost of goods sold during the six months ended June 30, 2018. Excluding the impact of this step-up, gross profit would have decreased $2.8 million or 2.4%. This gross profit decrease resulted from our approach to maintain price discipline resulting in a 5.0% increase in average selling prices which was offset by higher raw material input costs which negatively impacted gross profit by $19.2 million during the six months ended June 30, 2018 compared to the six months ended July 1, 2017. The Midwest Ingot price of aluminum and PVC resin increased 20.3% and 5.8%, respectively, during the six months ended June 30, 2018 relative to the six months ended July 1, 2017. In addition to the higher material costs, we also incurred increased freight expenses from driver and lane shortages during the six months ended June 30, 2018 of $4.8 million relative to the six months ended July 1, 2017 that negatively impacted our gross profit.

As a percentage of net sales, gross profit decreased from 26.2% for the six months ended July 1, 2017 to 18.0% for the six months ended June 30, 2018. Excluding the fair value inventory step-up, our gross profit would have been 24.6% for the six months ended June 30, 2018, a decrease of 160 basis points relative to the six months ended July 1, 2017. The gross profit decrease resulted from increased raw material costs primarily for aluminum and PVC resin and higher freight expense that were not yet fully offset by our selling price increases that were implemented during the first quarter of this year.

Selling, general and administrative expenses

SG&A expense for the six months ended June 30, 2018 was consistent with the six months ended July 1, 2017 increasing a nominal $0.7 million or 1.4%. As a percentage of net sales, SG&A expense remained relatively consistent at 10.1% for the six months ended June 30, 2018 and 10.4% for the six months ended July 1, 2017.

Amortization of intangible assets

Amortization expense for the six months ended June 30, 2018 increased $10.3 million or 231.4% relative to the six months ended July 1, 2017 due to the $10.2 million of increased amortization expense associated with the fair value step-up of Ply Gem's intangible assets associated with the Merger. Excluding this $10.2 million, amortization expense was consistent between periods. As a percentage of net sales, amortization expense remained consistent at 1.0% for the six months ended June 30, 2018 and the six months ended July 1, 2017 excluding the amortization associated with the fair value step-up.

Currency transaction gain (loss)

The currency transaction loss for the six months ended June 30, 2018 was $0.5 million resulting from the impact of the Canadian dollar fluctuation. The currency transaction gain for the six months ended July 1, 2017 was $0.2 million resulting from the fluctuation in the Canadian dollar during the period.

Windows and Doors Segment

	For the three months ended			
(Amounts in thousands)	June 30, 2018		July 1, 2017	
	(unaudited)		(unaudited)	
Statement of operations data:				
Net sales	$ 390,688	100.0%	$ 281,174	100.0%
Gross profit	88,874	22.7%	63,856	22.7%
SG&A expense (including acquisition costs)	49,286	12.6%	36,055	12.8%
Amortization of intangible assets	12,467	3.2%	3,076	1.1%
Operating earnings	27,121	6.9%	24,725	8.8%
Currency transaction gain (loss)	(669)	(0.2)%	393	0.1%

TABLE OF CONTENTS

Net Sales

Net sales for the three months ended June 30, 2018 increased $109.5 million or 38.9% compared to the three months ended July 1, 2017. The net sales increase can be primarily attributed to the Merger, with Atrium's financial results reported within the Windows and Doors segment from the closing date of the Merger. The inclusion of Atrium's net sales from the acquisition date resulted in increased net sales of $88.9 million for the period from April 12, 2018 to June 30, 2018. Excluding Atrium, our net sales for the three months ended June 30, 2018 would have increased $20.7 million or 7.3% relative to the three months ended July 1, 2017. The 7.3% net sales increase resulted from improved U.S. market demand conditions, which favorably impacted our new construction and repair and remodeling businesses. For the three months ended June 30, 2018 compared to the three months ended July 1, 2017, our U.S. new construction business increased $6.9 million or 4.2% while our U.S. repair and remodeling business increased $9.5 million or 10.7% due partly to higher average selling prices of 2.2%. Our Canadian net sales increased $4.3 million or 16.0% for the three months ended June 30, 2018 relative to the three months ended July 1, 2017 due to an improving Western Canadian market which culminated in a unit volume increase of 6.7% and higher average selling prices. Our Western Canada sales have been impacted by depressed market conditions that resulted from the significant decline in energy prices that have stymied housing and economic development in Western Canada, however recently we have begun to see some recovery in those markets.

The net sales increase for the U.S. market can be attributed to improved market conditions as evidenced by the U.S. Census Bureau reporting that single family housing starts increased 7.6% during the lag effected period which resulted in higher net sales for our new construction business. Our building products are typically installed on a new construction home 90 to 120 days after the start of the home, therefore single family starts commencing in the period from December 2017 to March 2018 directly impacts the demand for our products for the three months ended June 30, 2018. For the repair and remodeling business, LIRA reported that the 2018 trailing twelve months increased 6.6% compared to the 2017 period creating a favorable demand environment. However, due to the relative high dollar value or "big ticket" nature of our replacement products, we believe that true remodeling market demand for our big ticket exterior products increased approximately 1.0%. Our unit net sales for new construction increased 3.0% which was less than the 7.6% new construction market increase while our repair and remodeling unit sales increased 10.9% which was higher than the repair and remodeling demand market indicators for the three months ended June 30, 2018. The lower unit volumes for new construction relative to market indicators resulted from our ability to realize higher average selling prices on our products combined with aggressive price action taken by certain competitors which suppressed our market gains. The higher volumes for our repair and remodeling window products was caused by favorable demand factors including improved weather during the three months ended June 30, 2018. In addition to the favorable demand factors, we were also able to obtain net price increases of approximately $5.0 million during the three months ended June 30, 2018 relative to the three months ended July 1, 2017 which favorably impacted our net sales comparison for the three months ended June 30, 2018 relative to the three months ended July 1, 2017. In total, we achieved an increase in our average net selling prices of 2.2% in response to higher material costs. In Canada, we achieved the 16.0% net sales increase from increased unit volume sales of 6.7%, higher average selling prices, and a favorable foreign currency impact of $1.2 million. Our improved net sales in the Canadian market continues to reflect the stabilization in the Canadian market despite the challenging conditions that currently exist in Canada from the significant decline in energy prices that have stymied housing and economic development particularly in Western Canada for the last several years.

Gross Profit

Gross profit for the three months ended June 30, 2018 increased $25.0 million or 39.2% compared to the three months ended July 1, 2017. Gross profit was favorably impacted by $25.7 million (net of an inventory step-up of $1.1 million) due to the inclusion of Atrium's gross profit from the Merger date through June 30, 2018 but was negatively impacted by $3.4 million from the non-cash inventory fair value step-up associated with the Merger which increased cost of goods sold during the three months ended June 30, 2018. Excluding Atrium's gross profit and the inventory step-up, our gross profit increased $2.8 million or 4.3% during the three months ended June 30, 2018 compared to the three months ended

TABLE OF CONTENTS

July 1, 2017 driven predominantly by the 7.3% net sales increase for the three month period. The net sales increase was partially offset by approximately $2.7 million of unfavorable freight expenses related to driver and lane shortages and higher material and labor costs for the three months ended June 30, 2018 compared to the three months ended July 1, 2017.

As a percentage of net sales, gross profit decreased from 22.7% for the three months ended June 30, 2018 to 22.1% for the three months ended July 1, 2017 after excluding Atrium's gross profit and the inventory fair value step-up. The 60 basis point decrease in gross profit reflects higher material and labor costs and unfavorable freight expenses related to driver and lane shortages partially offset by higher selling prices for the three months ended June 30, 2018 compared to the three months ended July 1, 2017.

Selling, general and administrative expenses

SG&A expense for the three months ended June 30, 2018 increased $13.2 million or 36.7% compared to the three months ended July 1, 2017. SG&A expense was negatively impacted by $10.3 million due to the inclusion of Atrium's SG&A expenses from the Merger date through June 30, 2018. Excluding Atrium, our SG&A expenses increased $3.0 million or 8.3% during the three months ended June 30, 2018 compared to the three months ended July 1, 2017. This $3.0 million increase was driven by higher sales and marketing expenses given the 7.3% net sales increase as well as certain acquisition related costs of $1.5 million from the Merger as well as other legal and professional fees. As a percentage of net sales, SG&A expense was consistent at 12.9% and 12.8% for the three months ended June 30, 2018 compared to the three months ended July 1, 2017 after the exclusion of Atrium's SG&A expenses from the acquisition date.

Amortization of intangible assets

Amortization expense for the three months ended June 30, 2018 increased $9.4 million or 305.3% relative to the three months ended July 1, 2017 due to the increased amortization expense associated with the fair value step of Ply Gem's and Atrium's intangible assets associated with the Merger. As a percentage of net sales, amortization expense remained consistent at 1.1% for the three months ended June 30, 2018 and the three months ended July 1, 2017 excluding the amortization associated with the fair value step-up.

Currency transaction gain (loss)

The currency transaction loss for the three months ended June 30, 2018 was $0.7 million resulting from the impact of the Canadian dollar fluctuation. The currency transaction gain for the three months ended July 1, 2017 was $0.4 million resulting from the impact of the Canadian dollar fluctuation.

	For the six months ended			
(Amounts in thousands)	June 30, 2018		July 1, 2017	
	(unaudited)		(unaudited)	
Statement of operations data:				
Net sales	$ 654,446	100.0%	$ 520,352	100.0%
Gross profit	136,234	20.8%	107,418	20.6%
SG&A expense (including acquisition costs)	88,359	13.5%	75,108	14.4%
Amortization of intangible assets	15,469	2.4%	6,156	1.2%
Operating earnings	32,406	5.0%	26,154	5.0%
Currency transaction gain (loss)	(1,159)	(0.2)%	529	0.1%

Net Sales

Net sales for the six months ended June 30, 2018 increased $134.1 million or 25.8% compared to the six months ended July 1, 2017. The net sales increase can be attributed to the Merger, with Atrium's financial results reported within the Windows and Doors segment from the closing of the Merger. The inclusion of Atrium's net sales from the closing of the Merger resulted in increased net sales of $88.9 million for the period from April 12, 2018 to June 30, 2018. Excluding Atrium, our net sales for the six months ended June 30, 2018 would have increased $45.2 million or 8.7% relative to the six months ended

TABLE OF CONTENTS

July 1, 2017. The 8.7% net sales increase resulted from improved U.S. market demand conditions, which favorably impacted our new construction and repair and remodeling businesses. For the six months ended June 30, 2018 compared to the six months ended July 1, 2017, our U.S. new construction business increased $16.6 million or 5.3% while our U.S. repair and remodeling business increased $17.8 million or 11.0% due partly to higher average selling prices of 2.4%. Our Canadian net sales increased $10.9 million or 23.9% for the six months ended June 30, 2018 relative to the six months ended July 1, 2017 due to an improving Western Canadian market which culminated in a unit volume increase of 12.9% and higher average selling prices. Our Western Canada sales have been impacted by depressed market conditions that resulted from the significant decline in energy prices that have stymied housing and economic development in Western Canada, however recently we have begun to see some recovery in those markets. The net sales increase for the U.S. market can be attributed to improved market conditions as evidenced by the U.S. Census Bureau reporting that single family housing starts increased 7.8% during the lag effected period which resulted in higher net sales for our new construction business. Our building products are typically installed on a new construction home 90 to 120 days after the start of the home, therefore single family starts commencing in the period from September 2017 to March 2018 directly impacts the demand for our products for the six months ended June 30, 2018. For the repair and remodeling business, LIRA reported that the 2018 trailing twelve months increased 6.6% compared to the 2017 period creating a favorable demand environment. However, due to the relative high dollar value or “big ticket” nature of our replacement products, we believe that true remodeling market demand for our big ticket exterior products increased approximately 1.0%. Our unit net sales for new construction increased 4.1% which was less than the 7.8% new construction market increase while our repair and remodeling unit sales increased 10.9% which was higher than the repair and remodeling demand market indicators for the six months ended June 30, 2018. The lower unit volumes for new construction relative to market indicators resulted from our ability to realize higher average selling prices on our products combined with aggressive price action taken by certain competitors which suppressed our market gains. The higher volumes for our repair and remodeling window products was caused by favorable demand and economic factors including lower individual tax rates and improved weather during the six months ended June 30, 2018. In addition to the favorable demand factors, we were also able to obtain net price increases of approximately $11.3 million during the six months ended June 30, 2018 relative to the six months ended July 1, 2017 which favorably impacted our net sales comparison for the six months ended June 30, 2018 relative to the six months ended July 1, 2017. In total, we achieved an increase in our average net selling prices of 2.4% in response to higher material costs. In Canada, we achieved the 23.9% net sales increase from increased unit volume sales of 13.0%, higher average selling prices, and a favorable foreign currency impact of $2.5 million. Our improved net sales in the Canadian market continues to reflect the stabilization in the Canadian market despite the challenging conditions that currently exist in Canada from the significant decline in energy prices that have stymied housing and economic development particularly in Western Canada for the last several years.

Gross Profit

Gross profit for the six months ended June 30, 2018 increased $28.8 million or 26.8% compared to the six months ended July 1, 2017. Gross profit was favorably impacted by $25.7 million (net of an inventory step-up of $1.1 million) due to the inclusion of Atrium’s gross profit from the acquisition date of April 12, 2018 forward through June 30, 2018 but was negatively impacted by $3.4 million from the non-cash inventory fair value step-up associated with the Merger completed on April 12, 2018 which increased cost of goods sold during the six months ended June 30, 2018. Excluding Atrium’s gross profit and the inventory step-up, our gross profit increased $6.6 million or 6.1% during the six months ended June 30, 2018 compared to the six months ended July 1, 2017 driven predominantly by the 8.7% net sales increase for the six month period. The net sales increase was partially offset by approximately $4.3 million of unfavorable freight expenses related to driver and lane shortages and higher material and labor costs partially offset by higher selling prices for the six months ended June 30, 2018 compared to the six months ended July 1, 2017. Excluding Atrium and the inventory fair value step-up, gross profit as a percentage of net sales decreased from 20.6% for the six months ended June 30, 2018 to 20.2% for the six months ended July 1, 2017. The 40 basis point decrease in gross profit reflects higher material and labor costs and unfavorable freight expenses related to driver and lane shortages for the six months ended June 30, 2018 compared to the six months ended July 1, 2017.

TABLE OF CONTENTS

Selling, general and administrative expenses

SG&A expense for the six months ended June 30, 2018 increased $13.3 million or 17.6% compared to the six months ended July 1, 2017. SG&A expense was negatively impacted by $10.3 million due to the inclusion of Atrium's SG&A expenses from the acquisition date of April 12, 2018 forward through June 30, 2018. Excluding Atrium, our SG&A expenses increased $3.0 million or 4.0% during the six months ended June 30, 2018 compared to the six months ended July 1, 2017. This $3.0 million increase was driven by higher sales and marketing expenses given the 8.7% net sales increase as well as certain acquisition related costs of $1.5 million from the Merger as well as other legal and professional fees. Excluding Atrium, our SG&A expense as a percentage of net sales was 60 basis points lower at 13.8% for the six months ended June 30, 2018 compared to 14.4% for the six months ended July 1, 2017 as a result of our ability to obtain leverage on the fixed component of SG&A expense.

Amortization of intangible assets

Amortization expense for the six months ended June 30, 2018 increased $9.3 million or 151.3% relative to the six months ended July 1, 2017 due to the increased amortization expense associated with the fair value step of Ply Gem's and Atrium's intangible assets associated with the Merger. As a percentage of net sales, amortization expense remained consistent at 1.3% for the six months ended June 30, 2018 excluding the amortization associated with the fair value step-up.

Currency transaction gain (loss)

The currency transaction loss for the six months ended June 30, 2018 was $1.2 million resulting from the impact of the Canadian dollar fluctuation. The currency transaction gain for the six months ended July 1, 2017 was $0.5 million resulting from the impact of the Canadian dollar fluctuation.

Unallocated Operating Earnings, Interest, and (Provision) Benefit for Income Taxes

	For the three months ended	
(Amounts in thousands)	June 30, 2018	July 1, 2017
	(unaudited)	(unaudited)
Statement of operations data:		
SG&A expense	$ (9,706)	$ (6,206)
Acquisition related expenses	(77,288)	—
Operating loss	(86,994)	(6,206)
Interest expense	(46,335)	(17,399)
Interest income	7	10
Tax Receivable Agreement liability adjustment	(5,237)	—
Income tax benefit (provision) for income taxes	$ 20,759	$ (19,477)

Operating loss

Unallocated losses include items that are not directly attributed to or allocated to either of our reporting segments. Such items include legal costs, corporate payroll, and unallocated finance and accounting expenses. The unallocated operating loss for the three months ended June 30, 2018 increased by $80.8 million or 1,301.8% compared to the same period in 2017 due primarily to $77.3 million of one-time costs associated with the Merger, a $2.7 million increase across various shared service cost centers and an increase of $1.9 million in other general professional expenses, offset by a $1.1 million decrease in various incentive compensation plan expenses.

Interest expense

Interest expense for the three months ended June 30, 2018 increased by approximately $28.9 million or 166.3% compared to the same period in 2017 as a result of the new debt instruments entered into by the Company in connection with the Merger on April 12, 2018. The Predecessor ABL Facility, Predecessor

TABLE OF CONTENTS

Term Loan Facility and Predecessor Notes were extinguished and the ABL Facility, Cash Flow Facilities and the 8.00% Senior Notes were established on April 12, 2018. The additional principal as well as higher interest rates for the new debt instruments caused the increased interest expense in 2018.

Tax Receivable Agreement liability adjustment

The Tax Receivable Agreement liability adjustment of $5.2 million for the three months ended June 30, 2018 occurred due to the change of control feature within the agreement that was triggered through the Merger on April 12, 2018. The change of control feature resulted in the remaining unrecognized portion of the Tax Receivable Agreement liability becoming due. See Note 2 — Acquisitions and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Overview" for further discussion of the Merger.

Income taxes

Our pre-tax loss for the three months ended June 30, 2018 was approximately $103.4 million compared to pre-tax income of $49.3 million for the three months ended July 1, 2017. The income tax benefit for the three months ended June 30, 2018 increased $40.2 million compared to the same period in 2017. The increase is primarily related to the pre-tax book loss of $103.4 million for the three months ended June 30, 2018. As of June 30, 2018, we still remain in a valuation allowance position for certain state and Canadian jurisdictions.

	For the six months ended	
(Amounts in thousands)	June 30, 2018	July 1, 2017
	(unaudited)	(unaudited)
Statement of operations data:		
SG&A expense	$ (16,692)	$ (15,632)
Acquisition related expenses	(77,288)	—
Operating loss	(93,980)	(15,632)
Interest expense	(62,790)	(34,285)
Interest income	15	12
Tax receivable agreement liability adjustment	(5,237)	—
Income tax benefit (provision) for income taxes	$ 21,351	$ (18,223)

Operating loss

Unallocated losses include items that are not directly attributed to or allocated to either of our reporting segments. Such items include legal costs, corporate payroll, and unallocated finance and accounting expenses. The unallocated operating loss for the six months ended June 30, 2018 increased by $78.3 million or 501.2% compared to the same period in 2017 due primarily to $77.3 million of one-time costs associated with the Merger, a $1.9 million increase across various shared service cost centers and an increase of $0.5 million in other general professional expenses offset by a $1.4 million decrease in various incentive compensation plan expenses.

Interest expense

Interest expense for the six months ended June 30, 2018 increased by approximately $28.5 million or 83.1% compared to the same period in 2017 as a result of the new debt instruments entered into by the Company in connection with the Merger. The Predecessor ABL Facility, Predecessor Term Loan Facility and Predecessor Notes were extinguished and the ABL Facility, Cash Flow Facilities and Notes were established on April 12, 2018. The additional principal as well as higher interest rates for the new debt instruments caused the increased interest expense in 2018.

TABLE OF CONTENTS
Tax Receivable Agreement liability adjustment
The Tax Receivable Agreement liability adjustment of $5.2 million in the six months ended June 30, 2018 occurred due to the change of control feature within the agreement that was triggered through the Merger on April 12, 2018. The change of control feature resulted in the remaining unrecognized portion of the Tax Receivable Agreement liability becoming due. See Note 2 — Acquisitions and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Overview" for further discussion of the Merger.
Income taxes
Our pre-tax loss for the six months ended June 30, 2018 was approximately $108.5 million compared to pre-tax income of $44.4 million for the six months ended July 1, 2017. The income tax benefit for the six months ended June 30, 2018 increased $39.6 million compared to the same period in 2017. The increase is primarily related to the pre-tax book loss of $108.5 million for the six months ended June 30, 2018. As of June 30, 2018, we remain in a valuation allowance position for certain state and Canadian jurisdictions.
Liquidity and Capital Resources
During the six months ended June 30, 2018, cash decreased by approximately $17.8 million compared to a decrease of approximately $44.4 million during the six months ended July 1, 2017. The decrease in cash during the six months ended June 30, 2018 was primarily due to a $26.5 million payment made on the TRA liability in Q1 2018 and a decrease in cash flows related to the period over period increase in working capital. The decrease in cash during the six months ended July 1, 2017 was primarily due to a $23.7 million decrease in working capital period over period, as accounts receivable decreased by $20.0 million and inventory decreased by $22.6 million in the period over period comparison offset by an $18.9 million increase in trade accounts payable.
Our business is seasonal because inclement weather during the winter months typically reduces the level of building and remodeling activity in both the home repair and remodeling and new home construction sectors, especially in the Northeast and Midwest regions of the United States and Canada. As a result, our liquidity typically increases during the second and third quarters as our ABL Facility borrowing base increases, reaching a peak early in the fourth quarter, and decreases late in the fourth quarter and throughout the first quarter.
Our primary cash needs are for working capital, capital expenditures, and debt service. As of June 30, 2018, our annual cash interest charges for debt service, contemplating the actual interest expense for the debt instruments in place from January 1, 2018 through April 12, 2018 and our current debt instruments thereafter, including the ABL Facility, is estimated to be approximately $133.6 million. We do not have any scheduled debt maturities until 2023. The specific debt instruments and their corresponding terms and due dates are described in the following sections. Our capital expenditures have historically been approximately 1.5% to 2.0% of net sales on an annual basis. Historically, we have been able to manage our capital expenditures based on market conditions for the new construction and repair and remodeling markets during any given fiscal year. As of June 30, 2018, we had $59.9 million of purchase commitments for inventory. We finance these cash requirements, including payments under the Tax Receivable Agreement, through internally generated cash flow and funds borrowed under the ABL Facility.
Our outstanding indebtedness will mature in 2023 (ABL Facility and Cash Flow Revolver), 2025 (Term Loan Facility), and 2026 (8.00% Senior Notes). Although we expect to refinance or pay off such indebtedness, we may not be successful in refinancing, extending the maturity or otherwise amending the terms of such indebtedness because of market conditions, disruptions in the debt markets, our financial performance or other reasons. Furthermore, the terms of any refinancing, extension or amendment may not be as favorable as the current terms of our indebtedness. If we are not successful in refinancing our indebtedness or extending its maturity, we and our subsidiaries could face substantial liquidity problems and may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure our indebtedness.

TABLE OF CONTENTS

Our specific cash flow movement for the six months ended June 30, 2018 and July 1, 2017 is summarized below:

Cash used in operating activities

Net cash used in operating activities for the period from January 1, 2018 to April 12, 2018 was $33.4 million. Key elements of cash used in operating activities were (i) net loss of $66.8 million, (ii) adjustments to reconcile net loss to net cash used in operating activities of $62.7 million, primarily driven by depreciation and amortization and $37.9 million of non-cash acquisition costs, (iii) an increase in net working capital of $19.1 million, primarily driven by increases in inventories, which was partially offset by decreases in accounts receivable and increases in trade account payable, and (iv) $20.3 million of cash paid for acquisition costs.

Net cash used in operating activities for the period from April 13, 2018 to June 30, 2018 was $35.1 million. Key elements of cash used in operating activities were (i) net loss of $20.4 million, (ii) adjustments to reconcile net loss to net cash used in operating activities of $54.2 million, primarily driven by depreciation and amortization, a $35.4 million non-cash charge for the fair value premium of inventory from the Merger, $8.0 million of non-cash interest expense and a $22.9 million change in deferred taxes, (iii) an increase in net working capital of $79.3 million, primarily driven by increases in accounts receivable, inventories and a decrease in trade accounts payable, and (iv) $52.7 million of cash paid for acquisition costs.

Net cash used in operating activities for the six months ended July 1, 2017 was $26.9 million. The net cash used in operating activities was impacted by operating earnings of $77.9 million, which was primarily driven by improved operating performance for our Windows and Doors segment of $9.4 million based on improved U.S. housing market conditions for new construction. These improved housing conditions resulted in an unfavorable $23.7 million impact in our primary working capital for the six months ended July 1, 2017. We also experienced a slight deterioration in our receivable metrics based on the timing of certain customer payments in relation to our fiscal calendar, which resulted in the unfavorable working capital change for the six months ended July 1, 2017.

Cash used in investing activities

Net cash used in investing activities for the period from January 1, 2018 to April 12, 2018 was approximately $11.3 million, primarily used for capital expenditures on various ongoing capital projects. Net cash used in investing activities for the period from April 13, 2018 to June 30, 2018 was approximately $2,764.8 million, primarily used for the $2,754.8 million Merger of Ply Gem and Atrium and for $10.0 million of capital expenditures on various ongoing capital projects. Net cash used in investing activities for the six months ended July 1, 2017 was approximately $15.5 million, primarily used for capital expenditures on various ongoing capital projects. Additionally, during the six months ended July 1, 2017, the Company sold a building in Saskatoon, Canada for approximately $2.1 million. The Company moved to another leased facility within the Saskatoon area that more closely aligns with the Company's needs in that area. Capital expenditures for the six months ended June 30, 2018 were slightly higher than the 2017 comparable period at $21.3 million in 2018 versus $17.9 million in 2017, but were relatively consistent as a percentage of net sales at 1.9% for 2018 and 1.8% for 2017, which is comparable to our historical average of 1.5% to 2.0%.

Cash provided by financing activities

Net cash provided by financing activities for the period from January 1, 2018 to April 12, 2018 was approximately $15.3 million, primarily from the net revolver borrowings of $40.0 million and $2.9 million in proceeds from the exercise of employee stock options offset by a $26.5 payment on the tax receivable agreement and $1.1 million of mandatory principal payments on the Predecessor Term Loan Facility. Net cash provided by financing activities for the period from April 13, 2018 to June 30, 2018 was approximately $2,855.5 million, primarily from long-term debt proceeds of $2,376.7 million, net revolver borrowings of $130.0 million and $425.2 million in proceeds from the CD&R equity contribution offset by $56.9 million in debt issuance cost payments and $19.5 million of cash paid for settlement of appraisal shares liability.

TABLE OF CONTENTS

Net cash used in financing activities for the six months ended July 1, 2017 was approximately $2.6 million, primarily from $1.2 million of cash tax withholdings on employee stock compensation and $2.1 million of mandatory principal payments on the Predecessor Term Loan Facility offset by $0.7 million in proceeds from the exercise of employee stock options.

Our specific debt instruments and terms are described in detail within Note 6 — Long-Term Debt to the condensed consolidated financial statements.

Liquidity requirements

We intend to fund our ongoing capital and working capital requirements, including our internal growth, through a combination of cash flows from operations and, if necessary, from borrowings under our ABL Facility and Cash Flow Revolver. We believe that we will continue to meet our liquidity requirements over the next 12 months. We believe that our operating units are positive cash flow generating units and will continue to sustain their operations without any significant liquidity concerns. The performance of these operating units is significantly impacted by the performance of the housing industry, specifically single family housing starts and the repair and remodeling activity. Any unforeseen or unanticipated downturn in the housing industry could have a negative impact on our liquidity position.

Management anticipates that our current liquidity position, as well as expected cash flows from our operations, should be sufficient to meet ongoing operational cash flow needs, capital expenditures, debt service obligations, and other fees payable under other contractual obligations for the foreseeable future. As of June 30, 2018, we had cash and cash equivalents of approximately $53.6 million and approximately $298.8 million of borrowing base availability under the ABL Facility and Cash Flow Facilities.

In order to further supplement our operating cash flow, we have from time to time opportunistically accessed capital markets based on prevailing economic and financial conditions. Based on market conditions, we may elect to pursue additional financing alternatives in the future.

We may from time to time repurchase or otherwise retire our debt and take other steps to reduce our debt or otherwise improve our financial position. These actions could include open market debt repurchases, negotiated repurchases, other retirements of outstanding debt and opportunistic refinancing of debt. The amount of debt that may be repurchased or otherwise retired, if any, will depend on market conditions, trading levels of our outstanding debt, our cash position, compliance with debt covenants and other considerations. Our affiliates may also purchase our debt from time to time, through open market purchases or other transactions. In such cases, our debt may not be retired, in which case we would continue to pay interest in accordance with the terms of the debt, and we would continue to reflect the debt as outstanding in our condensed consolidated balance sheets.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Contractual Obligations

In addition to the items listed in the Contractual Obligations table presented on page [•] for the fiscal year ended December 31, 2017, we have a potential obligation related to certain tax matters of approximately $4.7 million, including interest and penalties of approximately $2.0 million. The timing of the potential tax payments is unknown.

As of June 30, 2018, the Company had inventory purchase commitments of approximately $59.9 million.

TABLE OF CONTENTS

Inflation; Seasonality

Our performance is dependent to a significant extent upon the levels of home repair and remodeling and new home construction spending, all of which are affected by such factors as interest rates, inflation, consumer confidence and unemployment. We do not believe that inflation has had a material impact on our business, financial condition or results of operations during the past three fiscal years.

The demand for our products is seasonal, particularly in the Northeast and Midwest regions of the United States and Canada where inclement weather conditions during the winter months usually reduces the level of building and remodeling activity in both the home repair and remodeling and the new home construction sectors. Our sales in both segments are usually lower during the first and fourth quarters. Since a portion of our manufacturing overhead and operating expenses are relatively fixed throughout the year, operating income and net earnings tend to be lower in quarters with lower sales levels. In addition, the demand for cash to fund our working capital is greater from late in the fourth quarter through the first quarter.

TABLE OF CONTENTS

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our principal interest rate exposure relates to the loans outstanding under our Cash Flow Credit Facilities and our ABL Facility, which provides for borrowings of up to $1,870.0 million on the Cash Flow Credit Facilities and up to $360.0 million on the ABL Facility, bearing interest at a variable rate, based on an adjusted LIBOR rate plus an applicable interest margin or the base rate plus an applicable interest margin. Each quarter point increase or decrease in the interest rate would change our interest expense by approximately $4.7 million per year for the Cash Flow Facilities. Assuming the ABL Facility is fully drawn, each quarter point increase or decrease in the interest rate would change our interest expense by approximately $0.9 million per year. At June 30, 2018, we were not party to any interest rate swaps or caps to manage our interest rate risk. In the future, we may enter into interest rate swaps or interest rate caps, involving exchange of floating for fixed rate interest payments, to reduce our exposure to interest rate volatility.

Foreign Currency Risk

Our results of operations are affected by fluctuations in the value of the U.S. dollar as compared to the value of the Canadian dollar. For the three and six months ended June 30, 2018, the net impact of foreign currency changes to our results of operations was a loss of $0.9 million and $1.6 million, respectively. The impact of foreign currency changes related to translation resulted in a decrease in stockholders' equity of approximately $8.1 million for the six months ended June 30, 2018. The revenue or expense reported by us as a result of currency fluctuations will be greater in times of U.S. dollar devaluation and less in times of U.S. dollar appreciation. During 2017, we entered into forward contracts to mitigate the exposure risk of currency fluctuation against the Canadian dollar during 2018. At June 30, 2018, our foreign currency hedging contract had a fair value of $1.0 million and is recorded as an asset as of June 30, 2018.

Commodity pricing risk

We are subject to significant market risk with respect to the pricing of our principal raw materials, which include PVC resin, aluminum, glass and wood. If prices of these raw materials were to increase dramatically, we may not be able to pass such increases on to our customers and, as a result, gross margins could decline significantly. We manage the exposure to commodity pricing risk by increasing our selling prices for corresponding material cost increases, continuing to diversify our product mix, strategic buying programs and vendor partnering. The Midwest Ingot price of aluminum increased approximately 20.3% for the six months ended June 30, 2018 compared to the six months ended July 1, 2017. The average market price for PVC resin was estimated to have increased approximately 5.8% for the six months ended June 30, 2018 compared to the six months ended July 1, 2017.

Inflation

We do not believe that inflation, net of our corresponding price increases for material cost, has had a material effect on our business, financial condition or results of operations. Our lease payments related to our sale/leaseback agreement include an annual increase based on the Consumer Price Index, which could expose us to potential higher costs in years with high inflation. The CPI increase for the twelve months ended June 2018 was approximately 2.9%.

Labor Force Risk

Our manufacturing process is highly engineered but involves manual assembly, fabrication, and manufacturing processes. We believe that our success depends upon our ability to employ, train, and retain qualified personnel with the ability to design, utilize and enhance these processes and our products. In addition, our ability to expand our operations depends in part on our ability to minimize labor inefficiencies and increase our labor force as the U.S. housing market recovers. A significant increase in the wages paid by competing employers could result in a reduction of our labor force, increases in the wage rates that we must pay, or both. If either of these events were to occur, our cost structure could increase, our margins could decrease and any growth potential could be impaired. Historically, the Company has believed that the lag period between breaking ground on a new housing start and the utilization of our products on the exterior of a home is between 90 to 120 days.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains “forward looking statements.” Forward looking statements give our current expectations or forecasts of future events. Forward looking statements generally can be identified by the use of forward looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “project,” “continue” or other simila These statements reflect management’s current views with respect to future events and are subject to risks and uncertainties, both known and unknown. Our actual results may vary materially from those anticipated in forward looking statements. We caution investors not to place undue reliance on any forward looking statements.

Important factors that could cause actual results to differ materially from forward looking statements include, but are not limited to:

- downturns in the residential new construction and repair and remodeling end markets, or the economy or the availability of consumer credit;
- competition from other exterior building products manufacturers and alternative building materials;
- inability to successfully develop new products or improve existing products;
- changes in the costs and availability of raw materials;
- consolidation and further growth of our customers;
- loss of, or a reduction in orders from, any of our significant customers;
- inclement weather conditions;
- increases in union organizing activity and work stoppages at our facilities or the facilities of our suppliers;
- our ability to employ, train and retain qualified personnel at a competitive cost;
- claims arising from the operations of our various businesses prior to our acquisitions;
- product liability claims, including class action claims, relating to the products we manufacture;
- litigation outside of product liability claims;
- loss of certain key personnel;
-

interruptions in deliveries of raw materials or finished goods;

•
changes in building codes;

•
environmental costs and liabilities;

•
manufacturing or assembly realignments;

•
threats to, or impairments of, our intellectual property rights;

•
increases in transportation, freight and fuel costs;

•
changes in foreign currency exchange and interest rates;

•
material non-cash impairment charges;

•
our significant amount of indebtedness;

•
covenants in the agreements that govern or will govern our indebtedness;

•
limitations on our net operating losses and payments under the tax receivable agreement to our stockholders;

•
actual or perceived security vulnerabilities or cyberattacks on our networks;

•
failure to generate sufficient cash to service all of our indebtedness and make capital expenditures;

•
control by CD&R;

TABLE OF CONTENTS

- the impact of the tax reform law in the U.S.;
- operational problems or disruptions at any of our facilities, including natural disasters;
- the credit risk of our customers;
- significant changes in factors and assumptions related to our defined benefit plan;
- downgrades of our credit ratings;
- significant challenges presented by the integration of Ply Gem with Atrium following the Merger;
- failure to realize anticipated merger synergies and growth opportunities from the Merger or the benefits of the our cost reduction initiatives;
- charges to earnings resulting from the combination of Ply Gem and Atrium;
- additional expenses for infrastructure and network systems integration and planning related to the Merger;
- conflicts between the interests of our financial sponsors and the interests of the holders of our securities; and
- risks related to other factors discussed in this Quarterly Report.

These factors are not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that could impact our business. We undertake no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

TABLE OF CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Atrium Corporation:

We have audited the accompanying consolidated financial statements of Atrium Corporation (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atrium Corporation and subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Charlotte, North Carolina
March 7, 2018

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share and per share amounts)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,035	$ 1,810
Restricted cash	100	100
Accounts receivable, net of allowance for doubtful accounts of $373 and $237, respectively	27,081	24,997
Inventories	15,765	16,656
Prepaid expenses and other current assets	3,873	3,480
Assets of discontinued operations	63	324
Total current assets	49,917	47,367
LONG-TERM ASSETS:		
Property, plant and equipment, net	29,392	29,692
Goodwill	36,780	31,492
Intangible assets, net	92,509	89,196
Other assets, net	5,032	5,697
Total long-term assets	163,713	156,077
Total assets	$ 213,630	$ 203,444
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 42	$ 287
Accounts payable	12,389	16,030
Accrued liabilities	21,570	29,283
Liabilities of discontinued operations	1,770	2,599
Total current liabilities	35,771	48,199
LONG-TERM LIABILITIES:		
Long-term debt, net of current	301,974	299,543
Long-term debt due to related party	77,326	68,371
Long-term liabilities of discontinued operations	722	1,939
Deferred tax liabilities	17,145	18,037
Other long-term liabilities	8,274	10,409
Total long-term liabilities	405,441	398,299
Total liabilities	441,212	446,498
COMMITMENTS AND CONTINGENCIES (see Notes 9, 10, 12, 13 and 15)		
STOCKHOLDERS' DEFICIT:		
	2	2

Series A Preferred stock $.01 par value, 600,000 shares authorized, 321,494 shares issued and outstanding		
Series B Preferred stock $0.01 par and 22,141 shares issued and outstanding	—	—
Common stock $.01 par value, 3,000,000 shares authorized 2,009,964 shares issued and outstanding	20	20
Paid-in capital	248,505	240,005
Accumulated deficit	(453,615)	(453,593)
Accumulated other comprehensive loss	(22,494)	(29,488)
Total stockholders' deficit	(227,582)	(243,054)
Total liabilities and stockholders' deficit	$ 213,630	$ 203,444

See notes to consolidated financial statements.
F-143

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands)

	2017	2016
NET SALES	$ 348,844	$ 312,628
COST OF GOODS SOLD	234,451	214,688
Gross profit	114,393	97,940
OPERATING EXPENSES:		
Selling, delivery, general and administrative expenses	67,572	63,364
Amortization expense	6,723	6,231
Stock compensation expense	1	11
Total selling, delivery, general and administrative expenses	74,296	69,606
Impairment of trade names	1,560	200
(Gain) loss on disposal of assets, net	(239)	288
Total operating expenses	75,617	70,094
OPERATING INCOME FROM CONTINUING OPERATIONS	38,776	27,846
Interest expense	35,903	42,479
Other expense, net	226	546
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,647	(15,179)
Income tax expense	1,521	1,320
INCOME (LOSS) FROM CONTINUING OPERATIONS	1,126	(16,499)
Loss from discontinued operations, net of tax	(1,148)	(8,173)
NET LOSS	(22)	(24,672)
Other comprehensive income, net of taxes:		
Foreign currency translation adjustment	6,994	2,481
Comprehensive income (loss)	$ 6,972	$ (22,191)

See notes to consolidated financial statements.
F-144

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 2017 AND 2016
(dollars in thousands, except share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumula Other Comprehe Income (Loss)
	Shares	Amount	Shares	Amount	Shares	Amount			
BALANCES, JANUARY 1, 2016	321,494	$ 2	—	$ —	2,009,964	$ 20	$ 232,994	$ (428,921)	$ (31,96
Equity based compensation	—	—	—	—	—	—	11	—	—
Issuance preferred stock	—	—	10,000	—	—	—	7,000	—	—
Net loss	—	—	—	—	—	—	—	(24,672)	—
Foreign currency translation gain	—	—	—	—	—	—	—	—	2,481
BALANCES, DECEMBER 31, 2016	321,494	2	10,000	—	2,009,964	20	240,005	(453,593)	(29,48
Equity based compensation	—	—	—	—	—	—	1	—	—
Issuance preferred stock	—	—	12,141	—	—	—	8,499	—	—
Net loss	—	—	—	—	—	—	—	(22)	—
Foreign currency translation gain	—	—	—	—	—	—	—	—	6,994
BALANCES, DECEMBER 31, 2017	321,494	$ 2	22,141	$ —	2,009,964	$ 20	$ 248,505	$ (453,615)	$ (22,49

See notes to consolidated financial statements.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (22)	$ (24,672)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	13,424	13,776
Amortization of deferred financing costs	1,620	1,506
Accretion of notes discount	903	8,045
Non-cash interest	8,955	7,692
Impairment of trade names	1,560	200
Loss on sales of divisions	—	5,783
(Gain) loss on disposal of assets	(240)	301
Non-cash equity based compensation	1	11
Deferred taxes	(2,106)	(2,004)
Changes in assets and liabilities		
Accounts receivable	(1,230)	(3,748)
Inventories	1,287	(1,124)
Prepaid expenses and other assets	(331)	1,414
Other long-term assets	531	(68)
Accounts payable	(3,480)	3,763
Accrued and other long-term liabilities	(9,617)	3,366
Net cash provided by operating activities	11,255	14,241
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(6,862)	(9,347)
Proceeds from sales of assets	361	117
Proceeds from sales of divisions	—	12,939
Purchase of entry door company	(9,036)	—
Purchase of window and door company	(332)	(6,703)
Net cash used in investing activities	(15,869)	(2,994)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under previous ABL credit facility	—	17,600
Payments on previous ABL credit facility	—	(32,200)
Borrowings under current ABL credit facility	14,466	275
Payments on current ABL credit facility	(14,741)	—
Proceeds stock issuances	8,499	7,000
Payments on term note	(1,500)	(2,000)
Payment on contingent consideration	(1,199)	—

Payments on capital leases	(33)	(101)
Net cash provided by (used in) financing activities	5,492	(9,426)
EFFECT OF EXCHANGE RATE CHANGES	$ 347	$ (66)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,225	1,755
CASH AND CASH EQUIVALENTS – Beginning of period	1,810	55
CASH AND CASH EQUIVALENTS – End of period	$ 3,035	$ 1,810
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ 23,758	$ 23,918
Income taxes	$ 3,187	$ 2,087
Non-cash investing activities:		
Purchase of intangibles and goodwill through contingent consideration	$ —	$ 1,882
Purchases of property, plant and equipment	$ 95	$ 334
Purchases of property, plant and equipment on capital lease	$ 83	$ 335

See notes to consolidated financial statements.
F-146

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

1. ORGANIZATION AND LIQUIDITY

Organization — Atrium Parent, Inc. (the "Parent") was incorporated under the laws of the State of Delaware and is the direct parent of Atrium Windows and Doors, Inc. (the "Subsidiary"). The Parent is a direct wholly owned subsidiary of Atrium Intermediate Holdings, Inc., ("Holdings"), which is a direct wholly owned subsidiary of Atrium Corporation (the "Company"). An investor group led by Golden Gate Private Equity, Inc. ("Golden Gate") and Kenner & Company, Inc. ("Kenner") controls the Company and the Parent. The Subsidiary is engaged in the manufacture and sale of residential windows, patio doors and various other building materials throughout the United States and Canada.

Liquidity — As of December 31, 2017, the Company had $13,839 of borrowing availability under its financing agreements, $3,035 of cash and positive working capital of $14,146. The Company has raised equity from its shareholders to fund two recent acquisitions. Liquidity is impacted by the seasonality of the business and routinely decreases after year-end due to winter and spring weather. The Company believes it will have sufficient liquidity through borrowing availability, available cash and cash flows from operating activities to fund its cash requirements for existing operations and capital expenditures through the next twelve months.

The Company has made strategic decisions to exit certain businesses allowing focus on larger and more profitable businesses. Operational improvements have also been a focus, including the reduction of headcount and corporate and divisional general and administrative costs.

In 2016, the Company continued its focus on key strategic markets and improving operations, by selling the assets of its wholly owned window manufacturing facilities located in Colorado and Washington. The Company also sold the assets of its wholly owned aluminum extrusion business in Texas. The proceeds of the transactions were used to pay down the Asset Based Lending facility borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation — The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates and assumptions are based upon the best available information and are subject to change as conditions within and beyond the control of the Company change, including, but not limited to, economic conditions, the availability of additional information and actual experience rates different from those used in the Company's estimates. Accordingly, actual results could differ from those estimates. Significant estimates are used in calculating allowance for bad debt, inventory reserves, recoverability of goodwill and other long-lived assets, self-insurance accruals, warranty accruals, net lease liabilities, contingent considerations, purchase price allocations, legal liabilities and in recognizing deferred tax assets and liabilities.

Cash and Cash Equivalents — The Company considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

Restricted Cash — Restricted cash of $100 at December 31, 2017 and 2016, represents credit enhancements in support of the Company's purchasing card programs.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

Financial Instruments — The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying value as of each balance sheet date because of the short maturities of these instruments. The fair value of the Company's debt also approximates the carrying value due to its variable interest rates and applicable margin on the ABL Credit Facility and recent amendments to the term and related party debt, as designated in Note 12.

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk principally comprise cash and cash equivalents and accounts receivable. Management believes that the institutions that hold the Company's cash and cash equivalents are financially sound, and accordingly, minimal credit risk exists with respect to these assets. At December 31, 2017 and 2016, the Company held cash of $2,324 and $2,325 Canadian Dollars, respectively, in foreign bank accounts.

The majority of accounts receivable are from customers in the homebuilding and residential repair and remodeling industry, located throughout central and eastern United States and Canada. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's base. At December 31, 2017 and 2016, one customer, with an investment grade credit rating, accounted for 52% and 57% of outstanding accounts receivable, respectively. Net sales to this customer accounted for 37% and 39% of consolidated net sales in 2017 and 2016, respectively. The Company believes that the risk of loss from this customer is not significant.

Accounts Receivable and Allowance for Doubtful Accounts — Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts reflects management's best estimate of probable credit losses inherent in existing accounts receivable balance. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Accordingly, an allowance for doubtful accounts of $373 and $237 has been recorded for December 31, 2017 and 2016, respectively.

Inventories — Inventory is valued at the lower of cost or market under the first-in, first-out (FIFO) method of accounting. Work-in-process and finished goods inventories consist of direct materials, labor and manufacturing overhead. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and its estimated net realizable value based upon assumptions about future demand and market conditions.

Property, Plant and Equipment — Property, plant and equipment is stated at cost less accumulated depreciation. The Company depreciates these assets principally on a straight-line basis for financial reporting purposes over their estimated useful lives, as follows:

	Estimated Useful Life
Buildings and improvements	20 – 30 years
Machinery and equipment	3 – 10 years
Software implementation costs	3 years

Gains or losses on disposition represent the difference between the net proceeds and the net book value of the assets sold or retired. Expenditures for maintenance, minor renewals, and repairs are expensed as incurred, while major replacements and improvements are capitalized.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

Long-Lived Assets — The Company periodically reviews the net realizable value of its long-lived assets, including property, plant and equipment and definite-lived intangible assets, whenever events and circumstances indicate an impairment may have occurred. In the event the Company determines that the carrying value of long-lived assets is in excess of estimated gross future cash flows for those assets, the value of the assets is written down to fair value. No such events or circumstances were identified during 2017 and 2016. Accordingly, no impairment of long-lived assets was recorded during 2017 and 2016.

Capitalized Software Costs — The Company capitalizes internal employee costs and external consulting costs associated with implementing and developing software for internal use. Internal costs capitalized include payroll and payroll-related costs for employees who are directly associated with the development, modification and implementation of the software. External costs include direct expenses related to consulting and other professional fees incurred in developing, modifying and implementing the software. Capitalization of costs occurs upon the completion of the preliminary project stage and when management believes it is probable a project will be completed and the software will be used to perform the function intended. Amortization begins the period after the software is put into service and is calculated on a straight-line basis over three years. Management continually reviews the carrying value and expected functionality of the accumulated costs for potential impairment. When it is no longer probable that computer software being developed will be completed, modified or placed in service, the asset's carrying value is expensed. For continuing operations, unamortized capitalized software costs at December 31, 2017 and 2016 were $321 and $601, respectively, and are included in property, plant and equipment. Amortization expense for the years ended December 31, 2017 and 2016 was $284 and $279, respectively.

Fair Value Measurements — Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a three-level fair value hierarchy that encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

As of December 31, 2017 and 2016, contingent consideration (Level 3 investment) is required to be measured at fair value on a recurring basis, see Note 9.

Goodwill and Indefinite Lived Trade Names — In accordance with Accounting Standards Codification (ASC) 350, "Intangibles — Goodwill and Other," management reviews the carrying value of goodwill and indefinite lived trade names for recoverability based on estimated fair values of the reporting units in the fourth quarter of each year or when events or changes in circumstances indicate, in management's judgment, that the carrying value may not be recoverable. The fair values of the reporting units are based upon management's estimate of future cash flows and market participant assumptions for these reporting units. The carrying amounts of other indefinite lived assets are compared to their estimated fair values. The Company considers operating results, trends and prospects of the Company, as well as competitive comparisons. The Company also takes into consideration competition within the building products industry and any other events or circumstances that might indicate potential impairment. If the asset is determined not to be recoverable, impairment is recognized as a charge to operations. In 2017 and 2016, trade names impairment charges of $1,560 and $200, respectively, included in continuing operations were recognized.

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

Provision for Warranties — The Company estimates its warranty provisions based upon an analysis of all identified or expected claims and an estimated cost to resolve those claims and discounted using the Company's Weighted Average Cost of Capital. The estimates of expected claims are generally a factor of historical claims and cover all costs associated with such claims. The warranty reserve methodology includes costs associated with any intention to cover claims outside of contractual commitments. Changes in claim rates and differences between actual and expected warranty costs could impact warranty obligation estimates. The reserve for warranties is included in both current accrued liabilities and other long-term liabilities on the consolidated balance sheets and consisted of the following at December 31:

	2017	2016
Beginning reserve for warranties	$ (3,829)	$ (3,267)
Change in provision	(4,961)	(5,169)
Settlements	4,923	4,607
Ending reserve for warranties	$ (3,867)	$ (3,829)

Revenue Recognition — Revenue from the sale of windows and doors and related building products is recorded at the time of delivery to the customer. On contracts involving installation, revenue is recognized when the installation is complete. Revenues are recorded net of customer incentive programs, including advertising allowances and volume rebates. Revisions to those estimates are charged to income in the period in which the facts that give rise to the revisions become known. The retail window business usually obtains a deposit from its homeowner customers at the time of order. Customer deposits are held as unearned revenue in short-term liabilities until the installation is complete and revenue is recognized. Customer deposits were $1,230 and $645 at December 31, 2017 and 2016, respectively.
The Company sells extended warranties on some of its products, both as bundled arrangements, as well as separately priced warranties; therefore, each product and each warranty service has a standalone selling price whether sold as a bundle or as standalone sales. Product promotions are frequently offered as bundled arrangements. For bundled arrangements in which a warranty is offered in conjunction with a product sale, revenue is allocated to both the product and warranty using a relative selling price method, also known as a multiple deliverable arrangement. In these cases, the Company recognizes extended warranty sales over the contract period of the warranty, and in proportion to the costs expected to be incurred in performing services under the contract.
The deferred revenue for extended warranties is included in both current accrued liabilities and other long-term liabilities on the consolidated balance sheets and consisted of the following at December 31:

	2017	2016
Beginning deferred revenue	$ (2,330)	$ (1,813)
Sales	(1,211)	(1,214)
Amortization	834	697
Ending deferred revenue	$ (2,707)	$ (2,330)

The Company's policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. The Company records the amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.
The Company classifies any shipping charges to customers as revenues. The costs of shipping and handling expenses are presented in selling, delivery, general and administrative expenses in the Company's consolidated statements of

operations, and were $24,040 and $23,293 in continuing operations for the years ended December 31, 2017 and 2016, respectively. Shipping and handling expenses were $25 and $3,461 for discontinued operations in 2017 and 2016, respectively.

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

Income Taxes — The provision for income taxes is based on pretax income as reported for financial statement purposes. Deferred income taxes are provided in accordance with the liability method of accounting for income taxes to recognize the tax effects of temporary differences between financial statement and income tax accounting. The Company records a valuation allowance to reduce deferred tax assets if it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

The Company is included in the Parent's consolidated federal income tax return. The Company's income taxes have been presented as if calculated on a standalone separate income tax return basis.

Deferred Financing Costs — Deferred financing costs relate to costs incurred in the placement of the Company's debt and are being amortized over the maturities of the related debt using the straight-line method, which approximates the effective interest method. The deferred financing costs related to all non-line-of-credit arrangements are shown as a reduction to the carrying value of the debt while all similar costs associated with line-of-credit arrangements are presented within Other Assets. The Company recorded deferred costs of $7,383 for the execution of the Senior Secured Notes in 2014. In addition, the Company refinanced its existing Asset Based Lending facility in December 2016, whereby $406 of deferring financing costs were written off associated with the old facility and $554 of costs associated with the new facility were capitalized and included in Other Assets. Amortization expense for the years ended December 31, 2017 and 2016 was $1,620 and $1,506, respectively, and is recorded as a component of interest expense, net.

Advertising Costs — Advertising costs are expensed when incurred and were $2,050 and $716 in continuing operations for the years ended 2017 and 2016, respectively. Advertising costs were $0 and $9 for discontinued operations in 2017 and 2016, respectively. Advertising expenses that relate to contractual cooperative advertising allowances and volume rebates with customers are recorded as a reduction to net sales in the consolidated statements of operations. Other advertising costs not related to volume rebates incurred by the Company are reflected in selling, delivery, general and administrative expenses in the consolidated statements of operations.

Restructuring Costs — Throughout 2017 and 2016, the Company implemented several restructuring plans (See Note 1). The Company incurred in continuing operations severance costs of $794 and $801 related to workforce reductions and $96 and $171 related to exit costs for leased facilities in 2017 and 2016, respectively. In discontinued operations, the Company recorded charges of $0 and $67 related to workforce reduction in 2017 and 2016, respectively.

Foreign Currency Translation Adjustments — The functional currency of the Company's Canadian subsidiaries is the Canadian Dollar. Assets and liabilities of the Company's Canadian subsidiaries are translated into U.S. dollars at exchange rates in effect at year-end, revenues and expenses are translated at the average monthly exchange rates for the period, and cash flows are translated using the exchange rates in effect at the time of the cash flows. Translation adjustments are not included in net income for the period, but are recorded in other comprehensive income (loss).

Discontinued Operations — A component of the Company or a group of components of the Company whose disposal marks a "strategic shift" that has or will have a major effect on operations and financial results are presented as discontinued operations. The strategic shift approved by the Company's management and Board of Directors and implemented over the last few years is to focus on the Company's larger, more profitable businesses including the distribution business in the United States and dealer business in Canada. The Company believes the size, scale and nature of these businesses have less risk and more profit potential than the smaller businesses and disposed of a plant located near Pittsburgh, Pennsylvania in September 2015. In 2016, the Company sold substantially all of the assets related to its window and door business in Colorado and Washington and sold substantially all of the assets related to its aluminum extrusion business in Texas. These businesses, when evaluated together, represent this strategic shift which is viewed by management to be significant due to the improvement in profitability of the overall business and the reduced risk that exists as the focus shifts solely towards the larger more profitable businesses which have the size and scale to grow with the market with less cost structure.

F-151

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

This presentation occurs when the component or group of components (i) meets the criteria to be classified as held for sale; (ii) is disposed of by sale; or (iii) is disposed of other than by sale (See Note 18). The results of operations of a component of an entity to be disposed of by sale may not be classified as discontinued until the held for sale criteria are met. For disposals other than by sale (e.g., abandonment, distribution or exchange for similar productive assets), the results of operations of a component is not recorded as a discontinued operation until the period in which the long-lived asset or disposal group is either abandoned, distributed or exchanged, depending on the manner of disposal.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will affect any reporting organization that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets. The effective date for this ASU was postponed in August 2015 and the standard is now effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2018. The Company is currently evaluating the impact this update will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (ASU 2016-02). This ASU primarily provides new guidance for lessees on the accounting treatment of leases. Under the new guidance, lessees are required to recognize assets and liabilities arising from leases on the balance sheet. ASU 2016-02 also aligns lessor accounting with the revenue recognition guidance in Topic 606 of the Accounting Standards Codification. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019 and is required to be adopted on a modified retrospective basis, meaning the new leasing model will be applied to the earliest year presented in the financial statements and thereafter. The Company is currently evaluating the impact of adopting this new accounting standard on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (ASU 2016-09). This ASU amends certain aspects of accounting for share-based payments to employees, including (i) requiring all income tax effects of share-based awards to be recognized in the income statement when the award vests or settles and eliminating APIC pools, (ii) permitting employers to withhold the share equivalent of an employee’s maximum tax liability without triggering liability accounting and (iii) allowing companies to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is evaluating the impact of adopting ASU 2016-09 on its financial statements, but does not believe the new guidance will have a significant impact on how it accounts for share-based payments.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,” addressing eight specific cash flow issues in an effort to reduce diversity in practice. The amended guidance is effective for fiscal years beginning after December 31, 2017, and for interim periods within those years. Early adoption is permitted. The amended guidance will not have a material impact on Atrium’s statements of cash flows.

In May 2017, the FASB issued ASU 2017-09, “Compensation — Stock Compensation (Topic 718) Scope of Modification Accounting.” The amendments in ASU 2017-09 require entities to apply modification accounting in Topic 718 only when changes to the terms or conditions of a share-based payment award result in changes to fair value, vesting conditions or the classification of the award as equity or liability. The adoption of ASU 2017-09 will become effective for annual periods beginning after December 15, 2017. Based on historical modifications we do not believe the adoption of this guidance will have a material impact on our financial position or cash flows.

F-152

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

4. INVENTORIES

Inventories at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Raw materials	$ 12,906	$ 13,422
Work in process	336	244
Finished goods	2,523	2,990
Total	$ 15,765	$ 16,656

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2017 and 2016, consisted of the following:

	2017	2016
Land	$ 638	$ 596
Buildings and leasehold improvements	11,799	10,089
Machinery and equipment	63,420	58,258
Internally developed software	2,688	2,684
Construction-in-process	1,059	1,374
Total	79,604	73,001
Less accumulated depreciation	(50,212)	(43,309)
Net property, plant and equipment	$ 29,392	$ 29,692

Depreciation of property, plant and equipment and amortization of computer software in continuing operations totaled $6,701 and $6,458 for the years ended December 31, 2017 and 2016, respectively. Depreciation expense in discontinued operations was $0 and $1,069 for 2017 and 2016, respectively.

Capital Lease Agreements — At December 31, 2017 and 2016, the gross amount of capital lease assets and related accumulated depreciation recorded under capital leases were as follows:

	2017	2016
Hardware	$ 449	$ 449
Vehicles	88	—
Machinery and equipment	29	29
Office equipment	44	55
Total	610	533
Less accumulated depreciation	(527)	(490)
Net capital lease assets	$ 83	$ 43

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

6. GOODWILL

The changes in goodwill during the years ended December 31, 2017 and 2016 were as follows:

	Goodwill
Balance, December 31, 2015	$ 26,734
Foreign currency translation adjustments	655
Goodwill on acquisition of window and door company	4,103
Balance, December 31, 2016	31,492
Foreign currency translation adjustments	2,016
Goodwill on acquisition of entry door company	3,272
Balance, December 31, 2017	$ 36,780

7. INTANGIBLE ASSETS

The changes in intangible assets during the years ended December 31, 2017 and 2016 were as follows:

2017

	Beginning	Additions	Amortization	Impairment	Currency Translation Adjustments	Ending
Intangible assets with finite lives						
Customer relationships	$ 105,653	$ 4,518	$ —	$ —	$ 5,661	$ 115,832
Accumulated amortization	(31,140)	—	(5,071)	—	(1,554)	(37,765)
Net intangible assets with finite lives	74,513	4,518	(5,071)	—	4,107	78,067
Intangible assets with indefinite lives						
Trade names	14,683	580	—	(1,560)	739	14,442
Intangible assets, net	$ 89,196	$ 5,098	$ (5,071)	$ (1,560)	$ 4,846	$ 92,509

2016

	Beginning	Additions	Amortization	Impairment	Currency Translation Adjustments	Ending
Intangible assets with finite lives						
Customer relationships	$ 103,352	$ —	$ —	$ —	$ 2,301	$ 105,653
Accumulated amortization	(25,948)	—	(4,711)	—	(481)	(31,140)

Net intangible assets with finite lives	77,404	—	(4,711)	—	1,820	74,513
Intangible assets with indefinite lives						
Trade names	10,599	4,096	—	(200)	188	14,683
Intangible assets, net	$ 88,003	$ 4,096	$ (4,711)	$ (200)	$ 2,008	$ 89,196

F-154

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

The Company recorded $1,560 and $200 impairment to trade names for the years ended December 31, 2017 and 2016, respectively, largely due to a change in discount rate used to value the Brock trade name and declining sales associated with a trade name used in the United States. Identified intangible assets subject to amortization are amortized to expense on a straight-line basis over their estimated useful lives of approximately 21 years. Future amortization for intangible assets subject to amortization at December 31, 2017 is as follows:

	Amount
2018	$ 5,167
2019	5,167
2020	5,167
2021	5,167
2022	5,167
Thereafter	52,232
Total	$ 78,067

8. OTHER ASSETS

Other assets, net consisted of the following at December 31, 2017 and 2016:

	2017	2016
Notes receivable	$ 289	$ 289
Deposits	558	1,322
Samples and displays, net	2,481	2,510
Insurance receivable	1,143	1,022
Deferred financing costs, net	414	554
Other	147	—
Total other assets, net	$ 5,032	$ 5,697

Samples and displays are presented net of amortization. The samples and displays are amortized over three years. Amortization expense for continuing operations was $1,652 and $1,518 for 2017 and 2016, respectively. Amortization expense in discontinued operations was $0 and $12 for 2017 and 2016, respectively.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

9. ACCRUED LIABILITIES
Accrued liabilities at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Salaries and payroll taxes	$ 3,927	$ 3,777
Advertising allowances and customer rebates	4,395	3,225
Sales, use and property taxes	336	894
Warranty, current	1,783	1,312
Management fees, related party	—	8,750
Professional services	637	614
Restructuring charges	162	559
Interest	3,994	3,943
Insurance reserves, current	1,880	2,192
Unearned revenue, current	1,953	1,305
Contingent consideration, net	1,080	995
Income taxes	1,001	470
Other	422	1,247
Total accrued liabilities	$ 21,570	$ 29,283

Total contingent consideration in accrued and other long-term liabilities as of December 31, 2017 and 2016 was $1,080 and $1,882, respectively. The movement of $802 was comprised of a $1,199 payment offset by $237 interest accretion and $160 foreign currency movement.

10. OTHER LONG-TERM LIABILITIES
Other long-term liabilities consisted of the following at December 31, 2017 and 2016:

	2017	2016
Warranty	$ 2,084	$ 2,517
Unearned revenue	1,984	1,706
Insurance reserves	3,087	3,860
Contingent consideration	—	887
Legal loss – contingencies	380	750
Deferred rent	380	252
Other	359	437
Total other long-term liabilities	$ 8,274	$ 10,409

11. BUSINESS COMBINATION
On March 13, 2017, the Company entered into an Asset Purchase Agreement with TRU TECH DOORS, a corporation incorporated under the laws of the Provence of Ontario (the “Seller”), pursuant to which it purchased the Seller’s business relating to the sales, marketing, distribution, and manufacturing of entry door systems, together with all the assets related to the business. The entry door business was included in the Consolidated Financial Statements as of

March 13, 2017. The purchase price was approximately $9,036 or $12,000 Canadian Dollars. The Company funded the purchase through the initial issuance of equity of $6,700 and cash from operations. In June 2017, $1,799 of equity was issued in connection with the acquisitions. The Seller continues to be a supplier to the Company subsequent to the transaction.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

The purchase price allocations to assets and liabilities on their estimated fair values as of the purchase date are as follows:

Present value of purchase price:	
Cash paid	$ 9,036
Total purchase price	$ 9,036
Fair value of assets acquired:	
Working capital	$ 75
Fixed assets	591
Customer relationships	4,518
Trade name	580
Goodwill	3,272
Total fair value of assets acquired	$ 9,036

On December 31, 2016, the Company entered into an Asset Purchase Agreement with Brock Doors and Windows Inc., a corporation incorporated under the laws of the Provence of Ontario (the “Seller”), pursuant to which it purchased the Seller’s business relating to the sales, marketing, distribution, manufacturing and installation of windows and doors, including entry, patio and garage doors, together with all the assets related to the business. The purchase price was approximately $8,905. The Company paid cash of $6,703, which was funded through an equity contribution and maximum contingent consideration of $3,000 Canadian Dollars due in installments of $1,500 Canadian Dollars at each December 31, 2017 and 2018. The fair value of this contingent consideration is $1,882. As part of the transaction, a net working capital threshold of $250 Canadian Dollars was established. The Company settled the working capital adjustment for $430 Canadian Dollars in April 2017. For the year ended December 31, 2016, sales to the Seller by the Company were approximately $4,600.

This contingent consideration is payable in Canadian Dollars and is dependent on certain business infrastructure improvements and continued employment, which the Company deems probable. The financial statements adjust the contingent payable at the reporting period date using the applicable spot rate and will continue to do so with charges being reflected in Other expense in the Consolidated Income Statements over the next year. The amounts were discounted using Atrium’s Weighted Average Cost of Capital.

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

The purchase price allocations to assets and liabilities on their estimated fair values as of the purchase date are as follows:

Present value of purchase price:	
Cash paid	$ 6,703
Contingent payable	1,882
Working capital adjustment	827
Total purchase price	$ 9,412
Fair value of assets acquired:	
Accounts receivable	$ 1,186
Inventories	675
Deposits and prepaid	118
Property, plant and equipment	167
Trade name	4,096
Goodwill	4,103
Accounts payable	(290)
Customer deposits	(643)
Total fair value of assets acquired	$ 9,412

12. LONG-TERM DEBT

At December 31, 2017 and 2016, long-term debt consisted of the following:

	2017	2016
Senior secured asset based revolving credit facility	$ —	$ 275
Senior Secured Notes, including net unamortized discount and deferred financing costs of $3,133 and $5,483, respectively	301,867	299,517
Related party notes, including paid-in-kind interest of $27,326 and $18,371 respectively	77,326	68,371
Other long-term payable	50	—
Capital lease obligations	99	38
Total debt	379,342	368,201
Less current portion of long-term debt:		
Senior secured asset based revolving credit facility	—	(275)
Other long-term payable	(10)	—
Capital lease obligations	(32)	(12)
Current portion of long-term debt	(42)	(287)
Long-term debt	$ 379,300	$ 367,914

Related Party Notes — In April 2014, the Company refinanced its long-term debt in connection with the change in organizational structure (see Note 1). The Company issued $305,000 of Senior Secured Notes to the Parent and paid the Senior Secured Term Loan in full. The Company paid $64,291 of the Related

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

Party Subordinated Notes and transferred the balance of $50,000 to Holdings. The related party notes bear compounded quarterly non-cash, paid-in-kind interest at an interest rate of 12.5%. All indebtedness has been consolidated for financial reporting purposes and is reported at the Company level.

Senior Secured Asset Based Revolving Credit Facility — The Company was a party to a Credit Agreement, dated April 30, 2010 and amended April 2014 (the "ABL Credit Facility"), with certain financial institutions (collectively, the "Lenders"), and General Electric Capital Corporation, as agent for the Lenders (the "Agent"; which term shall, from and after the Assignment Date (as defined below), reference the Successor Agent (as defined below). The modifications included eliminating the Company as a party to the ABL Credit Facility and adding the Parent as a guarantor. The Amendment also changed the borrowing limits, borrowing base, fees, covenants and maturity date. In April 2015, the ABL Credit Facility was again amended, modifying the concentration risk and cash dominion previsions, among others.

On June 8, 2015, General Electric Capital Corporation (the then existing Agent) agreed to sell its U.S. sponsor finance business to an affiliate of Canada Pension Plan Investment Board (the "Buyer"). In connection therewith, effective August 21, 2015 (the "Assignment Date"), General Electric Capital Corporation assigned 100% of its interest in loans and commitments under the ABL Credit Facility to one or more affiliates of the Buyer and Antares Capital LP (the "Successor Agent") assumed the role of successor agent, swingline lender and letter of credit issuer under the ABL Credit Facility (such assignment and assumption, the "Assignment"). The Subsidiary consented to the Assignment and the terms and conditions of the ABL Credit Facility were not otherwise affected.

The Company, its subsidiaries and Atrium Parent, Inc. ("Holdings") entered into a Credit Agreement (the "Credit Agreement"), dated December 27, 2016 (the "Closing Date"), with certain financial institutions (the "ABL Lenders"), and Bank of America, N.A., as agent for the ABL Lenders (the "Agent"), in order to replace and refinance the Company's existing ABL facility.

As of the Closing Date, the aggregate borrowing limit under the Company's new ABL facility (the "ABL Facility") is $50,000, which includes a sub-facility available for the issuance of letters of credit up to $17,500. In connection with the entry into the Credit Agreement, the existing ABL credit agreement, dated as of April 30, 2010, by and among the Company, Holdings, certain of the Company's subsidiaries, the lenders party thereto and Antares Capital LP (as successor agent to General Electric Capital Corporation) (as amended, amended and restated, supplemented or otherwise modified prior to the Closing Date) was terminated (along with all credit and security documents in connection therewith).

All of the Company's domestic subsidiaries and certain of the Company's Canadian subsidiaries are currently guarantors to the Company's obligations under the ABL Facility. In addition, the Company's obligations under the ABL Facility and the obligations of the guarantors under the guarantees is secured by a first-priority security interest in all accounts receivable, supporting obligations and other rights to payment, inventory, all documents, instruments and general intangibles (excluding intellectual property, except that the Agent will receive a non-exclusive, royalty free, worldwide license or sublicense to use all of the Notes Collateral constituting intellectual property in connection with the exercise of its rights and remedies as a secured party) relating to such accounts and inventory, deposit accounts and proceeds of the foregoing, in each case, of the Company and each guarantor, whether owned on the closing date or thereafter acquired.

The ABL Facility matures on the earlier of December 27, 2021 or 90 days prior to the maturity or early termination of certain material indebtedness.

All borrowings by the Company or its subsidiaries under the ABL Facility are limited by availability under a borrowing base, which is an amount equal to the sum of: (i) 85% of the face amount of eligible accounts receivable (net of certain claimed returns, rebates, discounts, credits, allowances or taxes) and (ii) the lesser of (a) 75% of the value of eligible inventory and (b) 85% of the net orderly liquidation value of eligible inventory, subject, in each case, to reserves and discounted to reflect appraisal valuations.

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

At the Company's option, borrowings under the ABL Facility bear interest at a fluctuating rate equal to LIBOR plus 2.25% or Base Rate plus 1.25%; provided, that the fluctuating rate of interest is reduced, in each case, by 0.25% if the average daily availability as a percentage of total commitments (the "Average Availability Percentage") is at least 33% and is further reduced, in each case, by 0.25% if the Average Availability Percentage is at least 66%. "Base Rate" is equal to the greatest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.50%, or (iii) LIBOR plus 1.00%. The interest rate was 5.50% and 4.75% as of December 31, 2017 and 2016, respectively.

The Company is required to pay certain fees and expenses in connection with the ABL Facility, including an unused commitment fee on the average daily amount of the unused portion of the ABL Facility at a rate of 0.375% per annum, payable quarterly in arrears on the first day of each calendar quarter; provided that the rate of the unused commitment fee shall be reduced to 0.25% if the Average Availability Percentage was at least 50% during the applicable quarter.

The Company is required to comply with various representations and affirmative and negative covenants, in each case as more fully set forth in the ABL Facility and related loan documents. If the borrowing base does not exceed the sum of the borrowings and letters of credit issued by at least $5,000, the Company is required to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 measured as of the last day of each month for the most recent period for which financial statements were delivered under the Credit Agreement; provided that once the fixed charge coverage ratio has been tested, it shall continue to be tested until the borrowing base exceeds the sum of the borrowings and letters of credit issued by at least $5,000 for 30 consecutive days. At December 31, 2017, the Company had $5,693 outstanding letters of credit.

The ABL Facility contains customary events of default. Upon the occurrence of an event of default under the ABL Facility, the Agent may (and shall at the request of the Required Lenders) terminate the revolving commitments, accelerate the outstanding obligations and exercise remedies with respect to the collateral. Additionally, unless a payment event of default or bankruptcy or insolvency event of default has occurred and is continuing (in which case the such increases shall be automatic), while any event of default exists under the ABL Facility, the Agent or the ABL Lenders holding a majority of the revolving commitments and outstanding loans and letter of credit obligations may increase the applicable interest rate on outstanding obligations by 2.00% per annum.

Any borrowings outstanding under the ABL Facility are classified as short-term due to the lockbox arrangement and subjective acceleration clause. Future payments are shown in date of maturity.

Senior Secured Notes due 2019 — In April 2014, the Company issued $305,000 Senior Secured Notes bearing 7.75% interest under Rule 144A of the Securities Act at a 1.4% discount, yielding proceeds of $300,651. The Senior Secured Notes mature on May 1, 2019, with interest due on May 1 and November 1 of each year, commencing November 1, 2014.

The Senior Secured Notes are guaranteed by the Company, all of the Company's existing and future wholly owned domestic subsidiaries (other than the Subsidiary and subject to certain exceptions) and its Canadian subsidiaries. The Senior Secured Notes are secured on a first-priority basis by substantially all the present and after-acquired tangible and intangible assets of the guarantors, other than the collateral of the ABL Credit Facility, for which the notes are secured on a second-priority basis.

The Senior Secured Notes require the Company to comply with certain covenants, including restrictions on dividends, incurring additional debt, asset sales and transactions with affiliates. In addition, the Senior Secured Notes contain customary events of default, including payment defaults, breaches of representation and warranties, change of control and bankruptcy and insolvency. However, there are no required financial maintenance covenants. The Company was in compliance with all applicable covenants at December 31, 2017.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

Warrant Agreement — In December 2011, the Company issued 114,985 warrants for common stock to affiliates of Golden Gate in connection with the issuance of preferred shares. The warrants permit Golden Gate to purchase shares of the Company's common stock, on a one-for-one basis, for an exercise price of $0.01 per share. The warrants were exercisable upon issuance and can be exercised over a ten-year period from the issuance date and automatically exercise on the last day of the exercise period if they are not exercised prior to that date. The warrants were outstanding and exercisable as of December 31, 2017.

In connection with the refinancing in April 2014, the Company entered into a Warrant Agreement (the "Warrant Agreement") with affiliates of Golden Gate. Under the terms of the Warrant Agreement, the Company issued 237,475 warrants on common stock and 35,722 warrants on preferred stock to GGC Finance Partnership, L.P. The warrants permit Golden Gate to purchase shares of the Company's common stock, on a one-for-one basis, for an exercise price of $0.01 per share. The Warrants, which are currently exercisable and expire ten years after issuance, represent 10.0% of the Company's common and preferred stock on a fully diluted basis (including the shares issuable upon exercise of the Warrants and excluding certain out-of-the-money stock options) as of the date of the issuance. The warrants are exercisable immediately; the number of shares and exercise price are subject to customary anti-dilution protection. The fair value of the warrants was determined to be $15,242 as of the date of issuance and was recorded as additional paid-in capital with a corresponding discount to the carrying value of the Related Party Notes. For the years ended December 31, 2017 and 2016, $0 and $6,852 of warrant amortization was recognized as interest expense, respectively. There was no remaining unamortized discount as of December 31, 2017 and 2016.

At December 31, 2017, future principal payments due under long-term debt, including capital leases with initial or remaining terms greater than twelve months and term debt related to discontinued operations (see Note 18), are scheduled as follows:

2018	$ 1,292
2019	383,118
2020	36
2021	22
2022	7
Thereafter	—
Total	$ 384,475

Guarantors — The Company and all its subsidiaries serve as guarantors for the ABL Credit Facility and the Senior Secured Notes.

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

13. FEDERAL INCOME TAXES

Deferred income tax assets and liabilities consisted of the following temporary differences as of December 31:

	2017	2016
Deferred income tax assets:		
Accounts receivable allowance	$ 97	$ 299
Inventory cost capitalization and valuation	226	675
Accrued vacation and bonuses	157	267
Other accrued liabilities	519	978
Currency translation adjustment	384	344
Warranty	1,049	426
Workers' compensation	90	359
Alternative minimum tax carryforwards and other	319	384
Related party interest	6,386	6,981
Net operating loss carryforwards	128,248	202,625
Total deferred income tax assets	137,475	213,338
Valuation allowance	(130,306)	(204,817)
Net deferred income tax assets	7,169	8,521
Deferred income tax liabilities:		
Fixed and intangible assets	(24,314)	(26,558)
Total deferred income tax liabilities	(24,314)	(26,558)
Net deferred income taxes	(17,145)	(18,037)
Non-current deferred income tax liabilities	$ (17,145)	$ (18,037)

At December 31, 2017, the Company has net operating loss carryforwards of $548,771, which begin to expire in 2019. The emergence from bankruptcy in 2010 resulted in an ownership change under Internal Revenue Code Section 382. The ultimate utilization of the net operating loss carryforwards will depend on future financial performance and will be subject to an annual limitation.

The Company has generated significant deferred tax assets partially due to its historical tax losses. The Company evaluated its deferred tax assets to determine whether a valuation allowance is required based on a determination of whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The Company concluded that there exists significant negative evidence in considering whether deferred tax assets are realizable. Therefore, during 2017, the Company adjusted its valuation allowance to approximately $130,306, against substantially all of its deferred tax assets. The Company excluded the deferred tax liabilities related to certain indefinite lived intangibles when calculating the amount of valuation allowance needed as these liabilities cannot be considered as a source of income when determining the realizability of the deferred tax assets. The valuation allowance was recorded as a reduction to deferred income tax benefit.

The deferred tax assets for which there is no valuation allowance relate to amounts that can be realized through future reversals of existing taxable temporary differences or through the generation of sufficient taxable income. To the extent the Company generates sufficient taxable income in the future to fully utilize the tax benefits of the deferred tax assets on which a valuation allowance was recorded, the Company's effective tax rate may decrease as the valuation allowance is reversed.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

The 2017 Tax Act was signed into law on December 22, 2017. The Tax Act significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%, eliminating certain deductions, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax. As a result of these changes, the corporation has provided for repricing of their domestic deferred taxes and valuation allowance at the new tax rate. The Company is still evaluating any impacts of the law changes on their accrued liabilities and differences that arise in temporary adjustments, such as fixed assets and carryforward attributes. The corporation has evaluated the new mandatory repatriated earnings tax of its foreign subsidiaries, and does not believe that it needs any further accrual as related to this aspect of the law change, however, as further analysis is completed on the foreign earnings and utilizing additional guidance from the IRS, the Company may make adjustments as it becomes reasonably determined. Given the Company’s historical loss position, any income tax expense adjustments associated with additional repatriation would be immaterial.

The components of the provision (benefit) for income taxes for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Federal income tax provision (benefit):		
Current	$ 45	$ —
Deferred	(797)	—
State income tax provision (benefit):		
Current	177	47
Deferred	28	(228)
Foreign income tax provision (benefit):		
Current	3,405	2,308
Deferred	(1,337)	(807)
Income tax expense	$ 1,521	$ 1,320

Reconciliations of the federal statutory income tax rate to the effective tax rates on continuing operations for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Tax benefit computed at statutory rate	$ 926	$ (5,313)
State taxes, net of federal tax effects	205	(181)
Foreign rate difference	(795)	(640)
Impact of federal US rate change	(792)	—
Valuation allowance	245	5,966
Other permanent differences	1,732	1,488
Income tax expense	$ 1,521	$ 1,320

For income tax purposes, Internal Revenue Code Section 197 provides for the amortization of certain intangible assets, including goodwill, for asset acquisitions occurring after August 1993. Any resulting difference in the book and tax basis of these intangibles is reflected as a component of deferred taxes.

The Company recognizes the benefit from uncertain tax positions that are more-likely-than-not to be sustained upon examination by the taxing authorities. The Company's policy is to record any impact to

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

income tax expense. The Company does not expect the change in unrecognized tax benefits to have a significant impact on its results of operations or financial position during the next twelve months.

If interest or penalties are paid related to income taxes, the interest expense is recorded as tax expense and the penalties are recorded as operating expense. There were no interest or penalties paid in 2017 or 2016. The Company has tax years from 2000 through 2017 that remain open and subject to examination by the Internal Revenue Service and/or certain state taxing authorities.

14. RELATED PARTIES

Stockholders Agreement — The Company is party to a stockholders agreement, dated as of April 30, 2010, as well as various other stockholders of the Company who have joined the Stockholders Agreement by execution of a joinder agreement. Each of the members of the Company's board of directors has been designated in accordance with the terms of the Stockholders Agreement.

The Stockholders Agreement contains customary terms, including terms regarding transfer restrictions, rights of first offer, tag-along rights, drag-along rights and preemptive rights with respect to the Company's capital stock.

In connection with the 2017 acquisition in Note 11, the Company received $8,499 of proceeds from issuance of Series B Preferred Stock. GGC BP Intermediate Holdings, LLC purchased 9,571 shares and KWC Holdings L.P. purchases 2,570 shares of Series B Preferred Stock with a $0.01 par value.

Management Advisory Agreements — The Company has entered into separate advisory agreements with each of GGC Administration, LLC ("GGC"), an affiliate of Golden Gate, and Kenner (the "Advisory Agreements"). Pursuant to the Advisory Agreements, GGC and Kenner have each agreed to perform certain services for the Company and its subsidiaries that may include, but are not limited to:

- general executive and management services;
- identification, support, negotiation and analysis of acquisitions and dispositions by the Company;
- support, negotiation and analysis of financing alternatives, including, without limitation, in connection with acquisitions, capital expenditures and refinancing of existing indebtedness;
- marketing functions, including monitoring of marketing plans and strategies;
- human resources functions, including searching and hiring of executives; and
- other services for the Company upon which the Company's board of directors and GGC and/or Kenner agree in writing.

Pursuant to the Advisory Agreements, GGC and Kenner will divide an annual fee equal to the greater of (i) $1,750 or (ii) 3% of the Company's EBITDA, based on a definition thereof described in the Advisory Agreements, and will also be reimbursed for reasonable expenses. Payment of the annual fee under the Advisory Agreements is subject to the terms of the Company's credit and financing arrangements. The Company recognized expense for advisory fees of

$1,750 annually to GGC and Kenner in 2017 and 2016. In December 2017, the Company paid previous year's advisory fees of $8,750 and the current year advisor fees of $1,750. At December 31, 2017 and 2016, accruals of $0 and $8,750, respectively, were included in accrued liabilities in the Consolidated Balance Sheets (See Note 9).

In addition, under the Advisory Agreements, GGC and Kenner will divide additional transaction fees that will be paid upon the consummation of any future change of control, acquisition, divestiture, recapitalization or financing or other similar transaction by or involving the Company in an amount equal

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

to 1.0% of the aggregate value of such transaction. The applicable transaction fee will be divided between GGC and Kenner based on a formula described in the Advisory Agreements. At December 31, 2017 and 2016, an accrual of $0 and $930 was included in accounts payable in the Consolidated Balance Sheets, respectively.

Indemnification Agreements — The Company has entered into indemnification agreements with various members of senior management and the board of directors, pursuant to which the Company and the Parent will indemnify them if any of them becomes a party to or other participant in any threatened, pending or completed action, suit or proceeding relating to the fact that such person is or was a director, officer, employee, agent or fiduciary of the Company.

Related Party Notes — In 2016, the Company entered into a one-year retention arrangement with certain key executives in exchange for loans of $300. In 2015, the Company entered into a two-year retention arrangement with certain key executives in exchange for loans of $538. The Company is amortizing these loans over the life of the arrangements and has expensed amounts forgiven of $316 and $522 in 2017 and 2016, respectively, in regards to these loans. These balances are included in Prepaid expenses and other current assets on the Consolidated Balance Sheets of $0 and $316 as of December 31, 2017 and 2016, respectively.

Senior Secured Notes — A subsidiary of Golden Gate purchased $40,000 of Senior Secured Notes issued by the Company in April 2014. At December 31, 2017 and 2016, the accrued interest on the subsidiary's portion of the bonds was $517 and $517, respectively.

15. COMMITMENTS AND CONTINGENCIES

Leases — The Company has entered into operating lease agreements for office and manufacturing space, automobiles and machinery and equipment. Total rent expense for continuing operations for the years ended December 31, 2017 and 2016, was $6,501 and $6,269, respectively. Total rent expense for discontinued operations for the years ended December 31, 2017 and 2016, was $287 and $1,813, respectively. At December 31, 2017, future minimum rents due under leases for continuing and discontinued operations with initial or remaining terms greater than twelve months are as follows:

		Operating Leases		
	Capital Leases	Vehicle, Office and Warehouse Equipment	Facility and Real Property	Total
2018	$ 32	$ 811	$ 5,477	$ 6,320
2019	32	594	5,351	5,977
2020	25	469	5,182	5,676
2021	10	421	4,537	4,968
2022	—	420	1,673	2,093
Thereafter	—	2,111	7,973	10,084
Total	$ 99	$ 4,826	$ 30,193	$ 35,118

Certain lease agreements provide for increased payments based on changes in the consumer price index. Additionally, under certain lease agreements, the Company is obligated to pay insurance and taxes. These lease agreements have various lease restoration clauses, which are believed to be immaterial based on prior experience and periodic inspection by the landlord and/or have been assumed by the Company's subtenants. As of December 31, 2017, the

Company has current deferred rent of $50 and noncurrent of $380. As of December 31, 2016, the Company had current deferred rent of $277 and noncurrent of $252.

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

The Company has several sublease agreements on leased properties, which provided for $1,185 and $1,136 in sublease income for the years ended December 31, 2017 and 2016, respectively. Future minimum rents to be received for the years ended December 31, 2018, 2019, 2020 and 2021 are $883, $889, $894 and $612, respectively. In connection with the Thermal transaction discussed in Note 18, the Company has entered into a sublease agreement whereby all requirements under the lease agreement are passed on to the buyer.

Transportation Purchase Commitments — At December 31, 2017 and 2016, the Company has a dedicated contract service agreement with a transportation provider for the North Carolina window division and captive extrusion plant that requires a minimum annual purchase commitment of 5.0 million miles per year through the term of the contract which ends October 2, 2018. The Company did not satisfy the commitment in 2017 and paid a $79 penalty.

In March 2014, the Company entered into a dedicated contract service agreement with another transportation provider for the Texas window division, with an option to extend to other divisions. The agreement has a three-year initial term with a sixty day cancellation clause. The Company was committed to fixed charges of $53 per week through February 2017 and variable charges based on number of vehicles, drivers and other factors. This agreement does not have a minimum mileage commitment. Effective March 2017, the Company changed transportation providers for our Texas window division to the provider we use in the North Carolina window division. There are no minimum mileage commitments.

PVC Supply Contracts — The Company has a contract to purchase PVC compound to use in the manufacturing process. The contract requires a minimum annual commitment of 27 million pounds for 2018 through 2023 at floating prices adjusted monthly by industry published resin indexes.

Glass Contract — The Company has a contract with a glass supplier for substantially all U.S. glass purchases through December 31, 2018 that requires the purchase of all rack lot glass and customer tempered glass, with the exclusion of some defined division specific product needs, from the supplier at agreed fixed pricing. Further, the Company has agreed to pricing with a different glass supplier for all Canadian glass purchases with agreed pricing through December 31, 2018. Pricing is substantially consistent to market value.

Aluminum Supply Contract — The Company entered into a supply agreement with an aluminum extrusion supplier in August, 2016 in connection with the sale of the Company's aluminum extrusion division to that supplier (See Note 18). Under the terms of the supply agreement, the Company agreed to purchase all aluminum profiles that had previously been supplied to the Company's U.S. window and door plants by the aluminum extrusion division. There are no minimum volume commitments in the agreement.

Capital Purchase Commitment — The Company entered into a purchase commitment in 2017 for six intercept building machines for their glass production operations with payment due for each machine upon delivery through March 2020. The purchase commitment includes payments of $633, $800 and $267 in 2018, 2019 and 2020, respectively.

Environmental — From time to time, the Company is involved in investigation and cleanup related to environmental matters associated with its manufacturing operations. In addition, the Company has applied for a municipal setting designation with regard to its former Wylie, Texas facility per the terms of the sale of that facility in 2016. While the potential costs related to such matters and their possible impact on future operations are uncertain due in part to: the uncertainty as to the extent of pollution, the complexity of applicable government laws and regulations and their interpretations, the varying costs and effectiveness of alternative cleanup technologies and methods, the uncertain level of insurance or other types of recovery and the extent of the Company's involvement in the opinion of management, none of these matters are expected to have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

Litigation — The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. Applicable accounting guidance requires the Company to accrue a liability if it is probable that the liability has been incurred and the amount of that liability can be reasonably estimated. At December 31, 2017 and 2016, the Company has $380 and $750 accrued for loss contingencies arising from cases against the Company, included in other long-term liabilities on the Consolidated Balance Sheets, respectively. Management believes the payment of these contingencies is probable and the accrual amount was estimated based on discussion with legal counsel and the review of similar historical cases. The accruals are adjusted as needed as additional information is received, but the actual loss to be incurred may be significantly greater than or less than the amount presently accrued.

In the opinion of management, all other claims and legal matters, including employee and product defect cases, are without merit or are of such kind, or involve such amounts, that an unfavorable disposition would not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Self-Insured Risks — The Company maintains a broad range of insurance policies which include employee health, general liability, vehicle, and workers compensation insurance coverage. These insurance policies protect the Company against a portion of the risk of loss from claims. However, the Company retains a portion of the overall risk for such claims through its self-insured per occurrence and aggregate retentions, deductibles and claims in excess of available insurance policy limits. The Company's insurance coverage is generally subject to a per occurrence retention. The Company reserves for costs associated with claims, as well as incurred but not reported losses, based on an outside actuarial analysis of its historical claims. These estimates make up a significant portion of the Company's liability and are subject to a high degree of uncertainty due to a variety of factors, including changes in type of claims, claims reporting and resolution patterns, frequency and timing of claims, third party recoveries, estimates of claim values, claims management expenses (including legal and expert fees), insurance industry practices, the regulatory environment and legal precedent. Adjustments to reserves are recorded in the period in which the change in estimate occurs. As of December 31, 2017 and 2016, the liabilities for self-insurance reserves are included in accrued liabilities of $1,880 and $2,192 and other long-term liabilities of $3,087 and $3,860, respectively, of which $1,143 and $1,022, respectively, are recoverable under third-party insurance policies and included in Other assets on the Consolidated Balance Sheets.

16. OTHER EXPENSE

Other expense, net for the years ended December 31, 2017 and 2016, consisted of the following:

	2017	2016
Franchise tax	$ 378	$ 401
Other (income) expense	(152)	145
Total expense, net	$ 226	$ 546

17. EMPLOYEE BENEFIT PLAN

The Company has an employee savings plan under Section 401(k) of the Internal Revenue Code. The Company contributed $320 and $444 to the employee savings plan during 2017 and 2016, respectively.

18. DISCONTINUED OPERATIONS

In 2015, the Company continued focusing on key strategic markets and improving operations, by selling the assets of its wholly owned window manufacturing facility located in Murrysville, Pennsylvania. On September 30, 2015, the Company completed an Asset Purchase Agreement with a subsidiary of

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

Gemini Capital, LLC (the "Purchaser") to which it sold substantially all of the assets of its wholly owned subsidiary, Thermal Industries, Inc. for $2,000 plus the assumption of warranty, trade payable, and payroll related liabilities by the Purchaser. The result was a loss on disposal of $893 recorded in loss from discontinued operations, net of tax on the Consolidated Statements of Operations and Comprehensive Loss. The Company also entered into a transition services agreement with the Purchaser pursuant to which the Company will provide the Purchaser with certain information technology and related services in connection with the ongoing operation of the Thermal business for a period following closing of the sale.

In 2016, the Company sold the window and door facilities located in Denver, Colorado and Yakima, Washington to a private investment group and sold its aluminum extrusion business, Extruders, located in Texas to Tower Extrusions, LTD. The proceeds of the transactions were used to pay down the Asset Based Lending facility borrowings.

Term Note — In 2014, prior to the decision to exit the aluminum extrusion business, the Company entered into an asset purchase agreement (the "Purchase Agreement") with Lippert. Pursuant to the Purchase Agreement, the Company agreed to purchase certain of Lippert's fixed assets for $7,500, of which $2,000 was paid in 2014. The discount on the Term Note was 1.96%, or $147. As of December 31, 2017, the remaining balance on the Term Note had been paid.

In connection with the purchase, a six-year aluminum extrusion supply agreement was executed with the Company as the supplier and Lippert as the buyer. To the extent more than 95 million pounds of extruded aluminum are purchased by Lippert, the Company is required to pay an additional $1,250 of purchase price.

The supply agreement requires minimum purchases from the Company by Lippert for six years beginning in 2015. To the extent that either the Company fails to produce or Lippert fails to purchase the minimum volume requirements, the party at fault will be monetarily penalized. In 2016, both parties agreed to modify the agreement to suspend minimum volume requirements for 2015.

On July 8, 2015, the Company terminated its extrusion supply agreement with Lippert. As amended, the Company has agreed to pay Lippert an additional $2,000, comprised of $1,250 in 2018 and $750 in 2019, in addition to amounts previously owed. In the event of a change in control of the Company prior to December 31, 2017, the aggregate amount payable would decrease by $150.

The following table presents the carrying amounts of the major classes of assets and liabilities of discontinued operations as of December 31, 2017 and 2016:

	2017	2016
Assets:		
Accounts receivable, net	$ 15	$ 251
Prepaid expenses and other current assets	48	69
Other long-term assets, net	—	4
Assets of discontinued operations	$ 63	$ 324
Liabilities:		
Current portion of long-term debt	$ 1,250	$ 1,500
Accounts payable	20	8
Accrued liabilities	500	1,091
Current liabilities of discontinued operations	1,770	2,599
Long-term debt, net of current	722	1,939
Long-term liabilities of discontinued operations	722	1,939

Liabilities of discontinued operations	$ 2,492	$ 4,538

F-168

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Dollars in thousands, except share amounts)

The operating results of the discontinued operations, including results from qualifying assets held-for-sale, for the years ended December 31, 2017 and 2016 are summarized below:

	2017	2016
Net Sales	$ —	$ 45,913
Loss on disposal	$ —	$ 5,783
Loss before income taxes	1,148	3,354
Income tax expense	—	(964)
Loss from discontinued operations	$ 1,148	$ 8,173
Depreciation	$ —	$ 1,069
Amortization	$ —	$ 18

19. SUBSEQUENT EVENTS

On January 31, 2018, Atrium Corporation (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among the Company, Pisces Parent, LLC ("Parent"), CD&R Atlas Merger Sub, Inc., a wholly owned subsidiary of Parent ("Merger Sub" and together with Parent, the "Acquirer Parties") and Atrium Intermediate Holdings, LLC, solely in the capacity as representative of certain the equityholders of the Company. Parent is affiliated with Clayton, Dubilier & Rice ("CD&R"). Pursuant to the Merger Agreement, subject to the satisfaction or waiver of specified conditions, Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of Parent (the "Acquisition"). Also in connection with the closing of the Merger, the Company will sell each of North Star Manufacturing (London), Ltd. and Brock Doors & Windows Ltd., directly to Parent. Pursuant to the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each of the Company's issued and outstanding shares of common stock will be cancelled and extinguished and converted into the right to receive a portion of the common units of Parent, pursuant to a distribution waterfall. Subsequent events have been evaluated through March 7, 2018, which is the date the financial statements were available to be issued.

F-169

TABLE OF CONTENTS

Management's Discussion and Analysis of Financial Condition and
Results of Operations of Atrium

The following discussion and analysis of Atrium's financial condition and results of operations is intended to clarify the results of Atrium's operations, certain changes in its financial position, liquidity, capital structure and business developments for the years covered by the consolidated financial statements included in this proxy statement. This discussion should be read in conjunction with, and is qualified by reference to, the other related information including, but not limited to, the audited consolidated financial statements (including the notes thereto and the independent registered public accounting firm's reports thereon), all as set forth in this proxy statement, as well as the risk factors discussed elsewhere in this proxy statement.

Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations of Atrium" are "forward-looking statements." See "Cautionary Statement with Respect to Forward-Looking Statements" and "Risk Factors."

Overview

Atrium is a leading manufacturer of vinyl and aluminum windows and patio doors for the residential new construction and R&R markets serving central and eastern United States and Canada. Since 1948, Atrium has focused on providing its customers with a comprehensive line of high-quality products, including custom products, at compelling values while delivering superior service. Atrium's regional prominence, combined with its ability to satisfy its customers' unique product requirements, creates significant competitive advantages versus many of its competitors. In addition, Atrium's vertical integration enables it to enhance its margins and drive operating leverage. Atrium believes these factors will allow it to implement its growth strategy as well as capture maximum benefit from a recovering housing market. Atrium's revenue mix is diversified by end-market and channel, as well as geographically and across price points.

Throughout 2017 and 2016, Atrium's management has focused on optimizing the business and repositioning Atrium to maximize profitability and drive future growth.

- Growing the business. Atrium participates in attractive end markets providing for growth opportunity in the improving new construction market with housing starts expected to continue recent growth along with the repair and remodeling market where Atrium has outpaced market growth largely through share gains. Atrium is focused on providing high-quality products and excellent customer service to drive this increased business, thereby, increasing market share. During 2017, approximately 47% of Atrium's total sales were in residential new construction and 53% were in R&R.

- Quality and service improvements. Atrium believes providing quality products and excellent customer service are key elements to driving growth throughout the organization. Key initiatives include driving industry leading quality and service metrics, simplifying the production environment, including product offerings and facility layout changes and focusing on quality and service at an employee level throughout the organization. Atrium has expanded its footprint for shipping, adjusted the glass department layout, and moved all window assembly lines into a single facility in its largest plant, in North Carolina. Other similar changes are occurring in its other plants. As a result of its strong reputation with its customers, Atrium has a 100% retention rate among its top ten customers since 2013.

- Expanding production capability. Atrium believes it has sufficient capacity to support its growth initiatives. As part of this, Atrium is focused on driving production efficiency throughout the organization including implementing various lean initiatives. The facility and product changes are expected to drive increased capacity. Atrium also has the ability to expand production capability through an increase in production shifts and capital spending to create more glass and assembly equipment across its plants to the extent it believes growth supports such investments.

TABLE OF CONTENTS

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Cost reduction and margin improvement initiatives. As the residential building market rebounds, Atrium has been able to announce price increases to offset increases in the prices of raw material commodities it has received from its suppliers. Atrium has been able to secure commodity pricing contracts with its United States glass supplier through 2018 and its Canadian glass supplier through 2018. Atrium has extended its PVC supplier contract with reduced rates to offset expected increases in the Chemical Data Inc. price index. Atrium continually evaluates its fixed cost structure including selling, general and administrative expense and makes adjustments as deemed appropriate to drive enhanced profitability.

Atrium has made strategic decisions to exit certain businesses allowing focus on larger and more profitable businesses. Operational improvements have also been a focus, including the reduction of headcount and corporate and divisional general and administrative costs.

In 2016, Atrium continued its focus on key strategic markets and improving operations by selling the assets of its wholly owned window manufacturing facilities located in Colorado and Washington. Atrium also sold the assets of its wholly owned aluminum extrusion business in Texas.

Factors Affecting Atrium's Results of Operations

Atrium's results of operations are affected by a number of external factors, including conditions in the home building and home improvements industries, raw material prices and seasonality. Some of the more important factors are discussed briefly below.

Conditions in the Homebuilding and Home Improvement Industries

Atrium's sales have historically been driven by the level of residential new construction, home improvement and R&R activities, which are dependent upon a number of factors including demographic trends, interest rates, home values, consumer confidence, employment rates, foreclosure rates, building material costs and the health of the economy and mortgage markets. The home building and home improvement industries began to stabilize in late 2011 and have since grown steadily.

Approximately 47% and 49% of Atrium's total sales were related to residential new construction for the years ended December 31, 2017 and 2016, respectively. According to the U.S. Census Bureau, single-family housing starts in 2016 and 2017 were approximately 782,000 and 849,000, respectively. According to consensus estimates, single-family starts are expected to increase in 2018 and 2019 to approximately 930,000 and 1,000,000 units, respectively.

Changes in Prices of Raw Materials

Raw materials used in the manufacture of its products make up a significant portion of Atrium's cost of goods sold, which made up 37% of Atrium's net revenue for the years ended December 31, 2017 and 2016. The principal raw materials Atrium uses are vinyl, glass and aluminum. The prices of many of the raw materials that Atrium uses in its manufacturing processes are subject to significant price volatility. Atrium actively seeks to manage the risk of fluctuating raw material prices through leveraging long-term supply relationships and strategic sourcing programs. Historically, Atrium's industry has passed through increases in raw material prices to consumers, and Atrium expects to be able to do the same in the future. To the extent Atrium cannot pass on additional cost increases, Atrium will experience a negative impact on the business. Vinyl and glass prices have trended higher but these increases have been offset by price increases. Fluctuations in the price and availability of raw materials and other resources could have a material adverse effect on Atrium's business, results of operations and financial condition. Increases in fuel and energy costs could also adversely affect Atrium's results of operations and financial condition.

Seasonality

Atrium's industry experiences seasonal changes in demand, with higher demand from April through November each year. Atrium manages its staffing levels to match these seasonal demand variances. Atrium increases its staffing as required each spring as its busier months begin. With the exception of the North Texas region, the seasonal impact is felt across Atrium's geographies where inclement weather during the

TABLE OF CONTENTS

winter months usually reduces the level of residential new construction and R&R activity. To the extent higher demand occurs during a compressed period within Atrium's peak season, there is a risk of it experiencing operational challenges and losing efficiency.

End Markets

As of December 31, 2017 and 2016, R&R products represented approximately 53% and 51%, respectively, of Atrium's total sales in each period, while new construction products represented approximately 47% and 49%, respectively, of Atrium's total sales for each period. Atrium typically realizes higher price points and gross margins on R&R products, which require more engineering and customization. As part of its strategy, Atrium is focused on driving activity for recent product launches which generate attractive margins, and Atrium expects the volume of R&R products to increase over the next few years. As Atrium's volume of R&R product sales increases, Atrium's management expects Atrium's product mix to shift and its overall margins to improve.

Cost Reduction Initiatives

Due to the strategic initiatives undertaken by the Atrium management team since 2012 to exit unprofitable businesses, optimize Atrium's manufacturing footprint, rationalize selling, general and administrative expenses (including the 2015 corporate restructuring), improve productivity and product quality, decrease Atrium's cost of capital and enact key leadership changes, Atrium management believes it is well-positioned to continue growing market share in the higher margin R&R market, as well as capitalize on the growth forecasted for the residential new construction market.

Primary Components of Revenue and Expenses

Net Sales

Atrium primarily generates revenue from the sale of vinyl windows and patio doors, aluminum windows and entry doors. Atrium's products are sold through its own sales force to distributors, retailers and builders and Atrium also has retail sales to the end consumer in Canada. Atrium recognizes revenue at the time products are delivered. Revenues are recorded net of advertising allowances, discounts and volume rebates.

Cost of Goods Sold

Cost of goods sold presents the costs directly related to the manufacturing of Atrium's products and primarily includes raw materials, contract manufacturing fees, warehousing, depreciation, direct and indirect labor and operating costs for Atrium's manufacturing facilities, including salaries, benefit costs and incentive compensation. The costs associated with developing and designing new products are expensed as incurred and include design, production and testing.

Selling, Delivery, General and Administrative Expenses

Atrium's delivery costs consist of all costs related to delivering manufactured product to its customers, including labor, fuel, maintenance and freight and handling expenditures. Atrium's selling, general and administrative expenses consist of all expenditures incurred in connection with the sales and marketing of its products, as well as administrative overhead costs.

TABLE OF CONTENTS

Results of Operations

Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

The following table sets forth information derived from the consolidated statements of operations expressed in dollars and as percentage of net sales for the years ended December 31, 2017 and 2016.

(dollars in thousands)	2016		2017	
Net Sales	$ 312,628	100.0%	$ 348,844	100.0%
Cost of Goods Sold	214,688	68.7%	234,451	67.2%
Gross profit	97,940	31.3%	114,393	32.8%
Operating Expenses:				
Selling, delivery, general and administrative expenses	63,364	20.3%	67,572	19.4%
Amortization expense	6,231	2.0%	6,723	1.9%
Stock compensation expense	11	0.0%	1	0.0%
Total selling, delivery, general and administrative expenses	69,606	22.3%	74,296	21.3%
Impairment of trade names	200	0.1%	1,560	0.4%
(Gain) loss on disposal of assets, net	288	0.1%	(239)	(0.1%)
Total operating expenses	70,094	22.4%	75,617	21.7%
Operating Income from Continuing Operations	27,846	8.9%	38,776	11.1%
Interest expense	42,479	13.6%	35,903	10.3%
Other expense, net	546	0.2%	226	0.1%
Income (Loss) from Continuing Operations before Taxes	(15,179)	(4.9%)	2,647	0.8%
Income tax expense	1,320	0.4%	1,521	0.4%
Income (Loss) from Continuing Operations	(16,499)	(5.3%)	1,126	0.3%
Loss from discontinued operations, net of tax	(8,173)	(2.6%)	(1,148)	(0.3%)
Net Loss	(24,672)	(7.9%)	(22)	0.0%

Net sales

Net sales increased by $36.2 million, or 11.6%, from $312.6 million in 2016 to $348.8 million in 2017. The increase was driven by organic sales growth of $17.0 million, or 5.5%, and acquisitions of $23.8 million, or 7.6%, offset by no longer reflecting sales to a company owned dealer of $4.7 million resulting from the acquisition of Brock Doors & Windows Ltd. Organic sales growth was driven by several of Atrium's largest customers due to improved market conditions and share gains coupled with price increases.

Cost of goods sold and gross profit margin

Cost of goods sold increased by $19.8 million, or 9.2%, from $214.7 million during 2016 to $234.5 million during 2017, and decreased as a percentage of net sales from 68.7% during 2016 to 67.2% during 2017. As a result, Atrium's gross profit margin increased from 31.3% in 2016 to 32.8% in 2017. The improvement in gross profit margin was driven by increased pricing to customers in excess of raw material commodity costs combined with operational improvements. Additionally, the acquisitions of Brock Doors & Windows Ltd. and Tru Bilt provided incremental margin.

Selling, delivery, general and administrative expenses

Selling, delivery, general and administrative expenses increased $4.2 million from $63.4 million in 2016 to $67.6 million in 2017, and decreased as a percentage of net sales, from 20.3% in 2016 to 19.4% in 2017. Delivery costs are variable and contributed $0.4 million of increased costs due to volumes. Several initiatives drove reductions in SG&A resulting in savings of $3.4 million offset by costs incurred by recent acquisitions of $6.9 million.

TABLE OF CONTENTS

Amortization expense

Amortization expense increased from $6.2 million in 2016 to $6.7 million in 2017.

Interest expense

Interest expense decreased $6.6 million from $42.5 million in 2016 to $35.9 million in 2017. The decrease is the result of the write off associated interest discount being fully amortized during 2016.

Other expense

Other expense reflected expense of $0.5 million in 2016 and expense of $0.2 million in 2017. The majority of the other expense was franchise taxes.

Provision for income taxes

The provision for income taxes is based on pre-tax income for continuing operations as reported for financial statement purposes. Atrium recorded tax expense of $1.5 million and $1.3 million for the years ended December 31, 2017 and 2016, respectively.

Loss from discontinued operations

The loss from discontinued operations decreased $7.0 million from $8.2 million in 2016 to $1.1 million in 2017. In 2016, Atrium sold substantially all of the assets related to its window and door business in Colorado and Washington and sold substantially all of the assets related to its aluminum extrusion business located near Dallas. These measures will allow Atrium to focus on key strategic markets and improve operations and margins.

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

The following table sets forth information derived from the consolidated statements of operations expressed in dollars and as percentage of net sales for the years ended December 31, 2016 and 2015.

(dollars in thousands)	2015		2016	
Net Sales	$ 300,453	100.0%	$ 312,628	100.0%
Cost of Goods Sold	201,015	66.9%	214,688	68.7%
Gross profit	99,438	33.1%	97,940	31.3%
Operating Expenses:				
Selling, delivery, general and administrative expenses	63,841	21.2%	63,364	20.3%
Amortization expense	6,432	2.1%	6,231	2.0%
Stock compensation expense	11	0.0%	11	0.0%
Total selling, delivery, general and administrative expenses	70,284	23.4%	69,606	22.3%
Impairment of trade name	300	0.1%	200	0.1%
Loss on disposal of assets, net	6	0.0%	288	0.1%
Total operating expenses	70,590	23.5%	70,094	22.4%
Operating Income from Continuing Operations	28,848	9.6%	27,846	8.9%
Interest expense	39,804	13.2%	42,479	13.6%
Other expense (income), net	(519)	(0.2%)	546	0.2%
Loss from Continuing Operations before Income Taxes	(10,437)	(3.5%)	(15,179)	(4.9%)
Income tax expense	2,229	0.7%	1,320	0.4%
Loss from Continuing Operations	(12,666)	(4.2%)	(16,499)	(5.3%)
Loss from discontinued operations, net of tax	(13,402)	(4.5%)	(8,173)	(2.6%)
Net Loss	(26,068)	(8.7%)	(24,672)	(7.9%)

TABLE OF CONTENTS

Net sales

Net sales increased by $12.2 million, or 4.1%, from $300.5 million in 2015 to $312.6 million in 2016. The increase is primarily a result of market growth as well as price increases. New construction sales were up 5% and R&R sales were flat compared to 2015. Sales to Atrium's two largest customers were flat.

Cost of goods sold and gross profit margin

Cost of goods sold increased by $13.7 million, or 6.8%, from $201.0 million during 2015 to $214.7 million during 2016, and increased as a percentage of net sales from 66.9% during 2015 to 68.7% during 2016. As a result, Atrium's gross profit margin decreased from 33.1% in 2015 to 31.3% in 2016. The increase in cost of goods sold and decline in the gross profit margin were primarily driven by an increase in warranty costs, labor inefficiencies and scrap. The deterioration of the Canadian Dollar also negatively impacted profit margin because the majority of materials purchased by Atrium's Canadian subsidiaries are sourced from the United States while most sales are Canadian Dollar based.

Selling, delivery, general and administrative expenses

Selling, delivery, general and administrative expenses decreased $0.5 million from $63.8 million in 2015 to $63.3 million in 2016, and decreased as a percentage of net sales, from 21.2% in 2015 to 20.3% in 2016. The decrease in selling, general and administrative expenses is primarily due to Atrium's corporate restructuring and other cost reduction initiatives. This was offset by increased commissions and delivery expense associated with increased sales.

Amortization expense

Amortization expense decreased slightly, from $6.4 million in 2015 to $6.2 million in 2016.

Interest expense

Interest expense increased $2.7 million from $39.8 million in 2015 to $42.5 million in 2016. The increase is the result of compounding interest on the Atrium Existing Related Party Notes.

Other expense (income)

Other expense (income) reflected income of $0.5 million in 2015 and expense of $0.5 million in 2016. The majority of the expense is franchise taxes in 2016. The income in 2015 is a settlement received for claims against former owners and senior management members of Atrium's closed manufacturing facility in Houston, Texas. The basis of the claims concerned immigration related issues at the facility, which was shut down in the fourth quarter of 2012.

Provision for income taxes

The provision for income taxes is based on pre-tax income for continuing operations as reported for financial statement purposes. Atrium recorded tax expense of $1.3 million and $2.2 million for the years ended December 31, 2016 and 2015, respectively.

Loss from discontinued operations

The loss from discontinued operations decreased $5.2 million from $13.4 million in 2015 to $8.2 million in 2016. Atrium sold substantially all of the assets related to its window and door business in Colorado and Washington and sold substantially all of the assets related to its aluminum extrusion business located near Dallas. These measures will allow Atrium to focus on key strategic markets and improve operations and margins.

Liquidity and Capital Resources

As of December 31, 2017, Atrium had $13.9 million of borrowing availability under its financing agreements and $3.0 million of cash on the balance sheet. Throughout 2017 and 2016, Atrium implemented several initiatives to improve liquidity and maximize profitability. Atrium believes these initiatives, focusing on sales growth, pricing strategies, operational improvements and SG&A management will drive significant improvement in its profitability.

TABLE OF CONTENTS

In 2016, Atrium sold substantially all of the assets related to its window and door business in Colorado and Washington and sold substantially all of the assets related to its aluminum extrusion business located in Texas. The proceeds of the transaction were used to pay down borrowings under Atrium’s previous asset based lending facility.

Atrium’s short-term and long-term liquidity needs arise primarily from: (i) debt service obligations with respect to its ABL Credit Facility and other long-term notes, (ii) capital expenditures, (iii) working capital requirements as may be needed to support the seasonal and cyclical growth of Atrium’s business and (iv) potential acquisitions. Atrium’s management believes it will have sufficient liquidity through borrowing availability, available cash and cash flows from operating activities to fund its cash requirements for existing operations and capital expenditures through the next twelve months.

Atrium’s ability to make payments on its debt and to fund planned capital expenditures will depend on its future performance, including its ability to generate cash. This is subject to general economic, financial, housing industry, competitive and other factors which include factors that are beyond Atrium’s control. Historically, Atrium has experienced tightness in its liquidity position between January to April of each year, and it has drawn more heavily on the Atrium Existing ABL Revolving Credit Facility during those periods

As of December 31, 2017, Atrium has approximately $548.8 million of net operating losses that begin to expire in 2019. These net operating losses may be used to offset U.S. Federal income tax.

The following summarizes Atrium’s primary sources and uses of cash for the years ended December 31, 2017, 2016 and 2015:

(dollars in thousands)	2015	2016	2017
Net cash flows provided by operating activities	$ 9,385	$ 14,241	$ 11,255
Net cash flows used in investing activities	(6,480)	(2,994)	(15,869)
Net cash flows provided by (used in) financing activities	(3,915)	(9,426)	5,492
Effect of exchange rate changes	(209)	(66)	347
Total increase (decrease) in cash and cash equivalents	$ (1,219)	$ 1,755	$ 1,225

Net cash flows provided by operating activities

Cash provided by operating activities decreased $2.9 million during 2017 compared to cash flows during 2016. The primary driver of the decrease was the payment of accrued management fees.

Cash provided by operating activities increased $4.9 million during 2016 compared to cash flows during 2015. The primary drivers of the increase were the disposal of a smaller and less profitable business, coupled with more efficient use of working capital.

Net cash flows used in investing activities

Cash used in investing activities increased $12.9 million during 2017 compared to 2016. The primary driver of the change is a result of the 2016 proceeds from the sale of aluminum extrusion division and the western divisions of $12.9 million.

Cash used in investing activities decreased $3.5 million during 2016 compared to 2015. The primary driver of the change is a result of proceeds from the sale of the aluminum extrusion division and the western divisions of $12.9 million in 2016 compared to $2.0 million of proceeds from the sale of the Pennsylvania division in 2015, offset in part by the use of cash of $6.7 million to purchase Brock Door & Windows Ltd. in 2016.

Net cash flows provided by (used in) financing activities

Cash provided by financing activities was $5.5 million in 2017 compared to cash used by financing activities of $9.4 million in 2016. The change is due to the increase in proceeds from Atrium’s capital contributions and repayment of outstanding borrowings under Atrium’s previous asset-based lending facility in 2016.

TABLE OF CONTENTS

Cash used in financing activities increased $5.5 million during 2016 compared to cash flows during 2015. The change was due to repayment of outstanding borrowings under Atrium's previous asset-based lending facility, offset by the proceeds of capital contributions.

Capital expenditures

During the years ended December 31, 2017 and 2016, Atrium invested approximately $6.9 million and $9.3 million (including discontinued operations) in total capital expenditures, respectively. Capital expenditures involve both maintenance and growth initiatives. Maintenance largely relates to samples and displays for customers and dies for Atrium's extrusion operation. Growth capital investments related to capacity expansion, new production and efficiency programs.

Long-term debt

Atrium Existing ABL Revolving Credit Facility

Atrium, its subsidiaries and Atrium Parent, Inc. ("Atrium Holdings") entered into the Atrium Existing ABL Revolving Credit Facility, dated December 27, 2016, with certain financial institutions (the "Atrium Existing ABL Revolving Credit Facility Lenders"), and Bank of America, N.A., as agent for the Atrium Existing ABL Revolving Credit Facility Lenders (the "Atrium Existing ABL Revolving Credit Facility Agent"), in order to replace and refinance Atrium's then-existing asset based lending facility and to provide for the Atrium Existing ABL Revolving Credit Facility of up to $50.0 million, including a sub-facility available for the issuance of letters of credit up to $17,500. In connection with the entry into the Atrium Existing ABL Revolving Credit Facility, Atrium's previous asset based lending facility was terminated. As of January 31, 2018, Atrium had $11.3 million of borrowing availability under the Atrium Existing ABL Revolving Credit Facility.

All of Atrium's domestic subsidiaries and certain of Atrium's Canadian subsidiaries are currently guarantors to its obligations under the Atrium Existing ABL Revolving Credit Facility. In addition, Atrium's obligations under the Atrium Existing ABL Revolving Credit Facility and the obligations of the guarantors under the guarantees is secured by a first-priority security interest in all accounts receivable, supporting obligations and other rights to payment, inventory, all documents, instruments and general intangibles (excluding intellectual property, except that the Atrium Existing ABL Revolving Credit Facility Agent will receive a non-exclusive, royalty free, worldwide license or sublicense to use all of the collateral securing the Atrium Existing Notes constituting intellectual property in connection with the exercise of its rights and remedies as a secured party) relating to such accounts and inventory, deposit accounts and proceeds of the foregoing, in each case, of Atrium and each guarantor, whether owned on the closing date or thereafter acquired.

The Atrium Existing ABL Revolving Credit Facility matures on the earlier of December 27, 2021 or 90 days prior to the maturity or early termination of certain material indebtedness.

All borrowings by Atrium or its subsidiaries under the Atrium Existing ABL Revolving Credit Facility are limited by availability under a borrowing base, which is an amount equal to the sum of: (i) 85% of the face amount of eligible accounts receivable (net of certain claimed returns, rebates, discounts, credits, allowances or taxes) and (ii) the lesser of (a) 75% of the value of eligible inventory and (b) 85% of the net orderly liquidation value of eligible inventory, subject, in each case, to reserves and discounted to reflect appraisal valuations.

At Atrium's option, borrowings under the Atrium Existing ABL Revolving Credit Facility bear interest at a fluctuating rate equal to LIBOR plus 2.25% or Base Rate plus 1.25%; provided, that the fluctuating rate of interest is reduced, in each case, by 0.25% if the average daily availability as a percentage of total commitments (the "Average Availability Percentage") is at least 33% and is further reduced, in each case, by 0.25% if the Average Availability Percentage is at least 66%. Under the credit agreement that governs Atrium Existing ABL Revolving Credit Facility, the "Base Rate" is equal to the greatest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.50%, or (iii) LIBOR plus 1.00%. The interest rate was 5.50% and 4.75% as of December 31, 2017 and 2016.

TABLE OF CONTENTS

Atrium is required to pay certain fees and expenses in connection with the Atrium Existing ABL Revolving Credit Facility, including an unused commitment fee on the average daily amount of the unused portion of the Atrium Existing ABL Revolving Credit Facility at a rate of 0.375% per annum, payable quarterly in arrears on the first day of each calendar quarter; provided that the rate of the unused commitment fee shall be reduced to 0.25% if the Average Availability Percentage was at least 50% during the applicable quarter.

Atrium is required to comply with various representations and affirmative and negative covenants, in each case as more fully set forth in the credit agreement that governs Atrium Existing ABL Revolving Credit Facility and related loan documents. If the borrowing base does not exceed the sum of the borrowings and letters of credit issued by at least $5.0 million, Atrium is required to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 measured as of the last day of each month for the most recent period for which financial statements were delivered under the Atrium Existing ABL Revolving Credit Facility; provided that once the fixed charge coverage ratio has been tested, it shall continue to be tested until the borrowing base exceeds the sum of the borrowings and letters of credit issued by at least $5.0 million for 30 consecutive days.

The Atrium Existing ABL Revolving Credit Facility contains customary events of default. Upon the occurrence of an event of default, the Atrium Existing ABL Revolving Credit Facility Agent may terminate the revolving commitments, accelerate the outstanding obligations and exercise remedies with respect to the collateral. Additionally, unless a payment event of default, bankruptcy or insolvency event of default has occurred and is continuing (in which case the foregoing increases shall be automatic), while any event of default exists under the Atrium Existing ABL Revolving Credit Facility, either the Atrium Existing ABL Revolving Credit Facility Agent or the Atrium Existing ABL Revolving Credit Facility Lenders holding a majority of the commitments may increase the applicable interest rate on the loans and the letter of credit fee by 2.00% per annum.

The Atrium Existing ABL Revolving Credit Facility is expected to be refinanced in connection with the Transactions. See “The Transactions.”

Atrium Existing Notes

In April 2014, Atlas Opco issued $305.0 million senior secured notes bearing 7.75% interest under Rule 144A of the Securities Act at a 1.4% discount, yielding proceeds of $300.7 million. The Atrium Existing Notes mature on May 1, 2019, with interest due on May 1 and November 1 of each year, commencing November 1, 2014.

The Atrium Existing Notes are guaranteed by Atrium, all of its existing and future wholly owned domestic subsidiaries (other than Atlas Opco, and subject to certain exceptions) and its Canadian subsidiaries. The Atrium Existing Notes are secured on a first-priority basis by substantially all the present and after-acquired tangible and intangible assets of the guarantors, other than the collateral securing the Atrium Existing ABL Revolving Credit Facility, for which the Atrium Existing Notes are secured on a second-priority basis.

The Atrium Existing Notes require Atrium to comply with certain covenants, including restrictions on dividends, incurring additional debt, asset sales and transactions with affiliates. In addition, the Atrium Existing Notes contain customary events of default, including payment defaults, breaches of representation and warranties, change of control and bankruptcy and insolvency. However, there are no required financial maintenance covenants. Atrium was in compliance with all applicable covenants at December 31, 2017.

The Atrium Existing Notes are expected to be refinanced in connection with the Transactions. See “The Transactions.”

Off-Balance Sheet Arrangements

Atrium has entered into operating lease agreements for office and manufacturing space, vehicles, machinery and equipment. Total rent expense for continuing operations for the years ended December 31, 2017 and 2016, was $6.5 million and $6.3 million, respectively. Total rent expense for discontinued

TABLE OF CONTENTS

operations for the years ended December 31, 2017 and 2016, was $0.3 million and $1.8 million, respectively. Certain lease agreements provide for increased payments based on changes in the Consumer Price Index. Additionally, under certain lease agreements, Atrium is obligated to pay insurance and taxes.

Contractual Obligations

The following table summarizes Atrium's contractual obligations as of December 31, 2017. The table below does not reflect the consummation of the Transactions.

(dollars in thousands)	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
Long-term debt obligations	$ 307,051	$ 1,260	$ 305,772	$ 19	$ —
Cash interest(1)	35,576	23,692	11,884	—	—
Capital lease obligations	99	32	57	10	—
Operating lease obligations	35,019	6,288	11,596	7,051	10,084
Purchase obligations(2)	140,858	23,826	47,453	46,386	23,193
Other long-term liabilities reflected on the balance sheet(3)	12,448	4,456	5,552	1,647	793
Total	$ 531,051	$ 59,554	$ 382,314	$ 55,113	$ 34,070

(1)
Reflects interest and fees due at December 31, 2017 on the ABL Credit Facility and all interest due through maturity on the Senior Secured Notes.

(2)
Primarily consists of forward contracts with various suppliers to purchase raw materials for use in the manufacturing process.

(3)
Primarily consists of self-insurance and warranty liabilities.

Legal Contingencies. Atrium is party to various claims, legal actions and complaints arising in the ordinary course of business. Applicable accounting guidance requires Atrium to accrue a liability if it is probable that the liability has been incurred and the amount of that liability can be reasonably estimated. At December 31, 2017, Atrium has $0.4 million accrued for loss contingencies arising from cases against it. Atrium's management believes the payment of these contingencies is probable and the accrual amount was estimated based on discussion with Atrium's legal counsel and the review of similar historical cases. The accruals are adjusted as needed as additional information is received, but the actual loss to be incurred may be significantly greater than or less than the amount presently accrued. In the opinion of Atrium's management, all other claims and legal matters, including employee and product defect cases, are without merit or are of such kind, or involve such amounts, that an unfavorable disposition would not have a material adverse effect on the consolidated financial position, results of operations or cash flows of Atrium.

Critical Accounting Policies and Estimates

This management's discussion and analysis of financial condition and results of operations is based upon Atrium's consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of consolidated financial statements in conformity with GAAP requires Atrium's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates and assumptions are based upon the best available information and are subject to change as conditions within and beyond Atrium's control change, including, but not limited to, economic conditions, the availability of additional information and actual experience rates different from those used in Atrium’s estimates. Accordingly, actual results could materially differ from those estimates. Significant estimates are used in calculating allowance for bad debt, inventory reserves, recoverability of goodwill and other long-lived assets, self-insurance accruals, warranty accruals, net lease liabilities, contingent considerations, purchase price allocations, legal liabilities and in recognizing deferred tax assets and liabilities.

TABLE OF CONTENTS

Revenue Recognition. Revenue from the sale of windows and doors and related building products is recorded at the time of delivery to the customer. On contracts involving installation, revenue is recognized when the installation is complete. Revenues are recorded net of customer incentive programs, including advertising allowances and volume rebates. Revisions to those estimates are charged to income in the period in which the facts that give rise to the revisions become known.

Atrium sells extended warranties on some of its products, both as bundled arrangements, as well as separately priced warranties; therefore each product and each warranty service has a standalone selling price whether sold as a bundle or as standalone sales. Product promotions are frequently offered as bundled arrangements. For bundled arrangements in which a warranty is offered in conjunction with a product sale, revenue is allocated to both the product and warranty using a relative selling price method, also known as a multiple deliverable arrangement. In these cases, Atrium recognizes extended warranty sales over the contract period of the warranty, and in proportion to the costs expected to be incurred in performing services under the contract.

Atrium's policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. Atrium records the amounts collected as a current liability and relieve such liability upon remittance to the taxing authority without impacting revenues or expenses. Atrium classifies any shipping charges to customers as revenues. The costs of shipping and handling fees are presented in selling, delivery, general and administrative expenses in Atrium's consolidated statements of operations.

Accounts Receivable and Allowance for Doubtful Accounts. Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts reflects Atrium's management's best estimate of probable credit losses inherent in Atrium's existing accounts receivable balance. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Atrium establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

Inventories. Inventory is valued at the lower of cost or market under the first-in, first-out (FIFO) method of accounting. Work-in-process and finished goods inventories consist of direct materials, labor and manufacturing overhead. Atrium writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and its estimated net realizable value based upon assumptions about future demand and market conditions.

Property, Plant, and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation. Atrium depreciates these assets principally on a straight-line basis for financial reporting purposes over their estimated useful lives. Gains or losses on disposition represent the difference between the net proceeds and the net book value of the assets sold or retired. Expenditures for maintenance, minor renewals and repairs are expensed as incurred, while major replacements and improvements are capitalized.

Long-Lived Assets. Atrium periodically reviews the net realizable value of its long-lived assets, including property, plant and equipment and definite-lived intangible assets, whenever events and circumstances indicate impairment may have occurred. In the event Atrium determines that the carrying value of long-lived assets is in excess of estimated gross future cash flows for those assets, the value of the assets is written down to fair value.

Goodwill and Indefinite-Lived Trade Names. In accordance with ASC 350, Atrium's management reviews the carrying value of goodwill and indefinite-lived trade names for recoverability based on estimated fair values of the reporting units in the fourth quarter of each year or when events or changes in circumstances indicate, in management's judgment, that the carrying value may not be recoverable. The fair values of the reporting units are based upon management's estimate of future cash flows and market participant assumptions for these reporting units. The carrying amounts of other indefinite lived assets are compared to their estimated fair values. Atrium's management considers its operating results, trends and prospects, as well as competitive comparisons. Atrium also takes into consideration competition within the building materials industry and any other events or circumstances that might indicate potential impairment. If the asset is determined not to be recoverable, impairment is recognized as a charge to operations.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, which requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the

TABLE OF CONTENTS
consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will affect any reporting organization that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets. The effective date for this ASU was postponed in August 2015 and the standard is now effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2018. Atrium's management is currently evaluating the impact this update will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). This ASU primarily provides new guidance for lessees on the accounting treatment of leases. Under the new guidance, lessees are required to recognize assets and liabilities arising from leases on the balance sheet. ASU 2016-02 also aligns lessor accounting with the revenue recognition guidance in Topic 606 of the Accounting Standards Codification. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019 and is required to be adopted on a modified retrospective basis, meaning the new leasing model will be applied to the earliest year presented in the financial statements and thereafter. Atrium's management is currently evaluating the impact of adopting this new accounting standard on its financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). This ASU amends certain aspects of accounting for share-based payments to employees, including (i) requiring all income tax effects of share-based awards to be recognized in the income statement when the award vests or settles and eliminating APIC pools, (ii) permitting employers to withhold the share equivalent of an employee's maximum tax liability without triggering liability accounting and (iii) allowing companies to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017 and early adoption is permitted. Atrium's management is evaluating the impact of adopting ASU 2016-09 on its financial statements, but does not believe the new guidance will have a significant impact on how it accounts for share-based payments.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, addressing eight specific cash flow issues in an effort to reduce diversity in practice. The amended guidance is effective for fiscal years beginning after December 31, 2017, and for interim periods within those years. Early adoption is permitted. The amended guidance will not have a material impact on Atrium's statements of cash flows.

In May 2017, the FASB issued ASU 2017-09, Compensation — Stock Compensation (Topic 718) Scope of Modification Accounting ("ASU 2017-09"). The amendments in ASU 2017-09 require entities to apply modification accounting in Topic 718 only when changes to the terms or conditions of a share-based payment award result in changes to fair value, vesting conditions or the classification of the award as equity or liability. The adoption of ASU 2017-09 will become effective for annual periods beginning after December 15, 2017. Based on historical modifications, Atrium's management does not believe the adoption of this guidance will have a material impact on Atrium's financial position or cash flows.

Quantitative and Qualitative Disclosures about Market Risk

Atrium is exposed to market risks related to Atrium Existing Notes and the collateral and its business. Atrium occasionally uses derivative financial instruments on a limited basis to hedge economic exposures. Atrium does not enter into derivative financial instruments or other financial instruments for speculative trading purposes.

Interest rate risk

Atrium has historically been subject to interest rate risk on its ABL Credit Facility, which bears interest at floating rates. For fixed rate debt, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow.

Commodity pricing risk

Atrium is subject to market risk with respect to the pricing of its principal raw materials, which include, among others, vinyl, glass and aluminum. If prices of these raw materials were to increase dramatically, Atrium may not be able to pass through increases on to its customers and, as a result, gross margins could

TABLE OF CONTENTS

decline significantly. Atrium manages the exposure to commodity pricing risk by continuing to diversify its product mix, strategic sourcing programs and its long term supply relationships. In addition, Atrium is also subject to market risk with respect to diesel fuel prices.

Foreign currency risk

Atrium sells products in the United States and Canada. In addition, Atrium's Canadian subsidiaries purchase significant raw materials from the United States. Atrium has not historically hedged foreign currency transactions. Because Atrium does not expect to hedge foreign currency transactions in the next 12 months, a change in the relative value of the United States and Canadian currencies could adversely impact Atrium's financial performance, particularly that of its Canadian subsidiaries. The exchange rate between the United States and Canadian currencies has fluctuated significantly in recent years and may continue to do so in the future.

Inflation

Atrium believes that inflation has had a modest effect on its business, impacting its profit margins due to the increased cost of raw materials. The leases for Atrium's facilities are also largely tied to the Consumer Price Index, which exposes it to potentially higher costs in years with high inflation.

TABLE OF CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Atrium Corporation:

We have audited the accompanying consolidated financial statements of Atrium Corporation (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atrium Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Charlotte, North Carolina
March 14, 2017

Grant Thornton LLP
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TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Dollars in thousands, except share and per share amounts)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,810	$ 55
Restricted cash	100	100
Accounts receivable, net of allowance for doubtful accounts of $237 and $228, respectively	24,997	20,107
Inventories, net	16,656	14,898
Prepaid expenses and other current assets	3,480	4,422
Assets of discontinued operations	324	26,004
Total current assets	47,367	65,586
LONG-TERM ASSETS:		
Property, plant and equipment, net	29,692	29,472
Goodwill	31,492	26,734
Intangible assets, net	89,196	88,003
Other assets, net	5,697	5,034
Total long-term assets	156,077	149,243
Total assets	$ 203,444	$ 214,829
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 287	$ 91
Accounts payable	16,030	14,368
Accrued liabilities	29,283	22,361
Liabilities of discontinued operations	2,599	7,564
Total current liabilities	48,199	44,384
LONG-TERM LIABILITIES:		
Long-term debt, net of current	299,543	311,814
Long-term debt due to related party	68,371	53,556
Long-term liabilities of discontinued operations	1,939	3,645
Deferred tax liabilities	18,037	19,523
Other long-term liabilities	10,409	9,781
Total long-term liabilities	398,299	398,319
Total liabilities	446,498	442,703
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Series A Preferred stock $.01 par value, 600,000 shares authorized, 321,494 shares issued and outstanding	2	2

Series B Preferred stock $0.01 par and 10,000 shares issued and outstanding	—	—
Common stock $.01 par value, 3,000,000 shares authorized 2,009,964 shares issued and outstanding	20	20
Paid-in capital	240,005	232,994
Accumulated deficit	(453,593)	(428,921)
Accumulated other comprehensive income (loss)	(29,488)	(31,969)
Total stockholders' deficit	(243,054)	(227,874)
Total liabilities and stockholders' deficit	$ 203,444	$ 214,829

See notes to consolidated financial statements.

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Dollars in thousands)

	2016		2015	
NET SALES	$	312,628	$	300,453
COST OF GOODS SOLD		214,688		201,015
Gross profit		97,940		99,438
OPERATING EXPENSES:				
Selling, delivery, general and administrative expenses		63,364		63,841
Amortization expense		6,231		6,432
Stock compensation expense		11		11
Total selling, delivery, general and administrative expenses		69,606		70,284
Impairment of goodwill and other intangible assets		200		300
Loss on disposal of assets, net		288		6
Total operating expenses		70,094		70,590
OPERATING INCOME FROM CONTINUING OPERATIONS		27,846		28,848
Interest expense		42,479		39,804
Other expense (income), net		546		(519)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		(15,179)		(10,437)
Income tax expense		1,320		2,229
LOSS FROM CONTINUING		(16,499)		(12,666)

OPERATIONS				
Loss from discontinued operations, net of tax		(8,173)		(13,402)
NET LOSS		(24,672)		(26,068)
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustment		2,481		(15,729)
Comprehensive loss	$	(22,191)	$	(41,797)

See notes to consolidated financial statements.
F-185

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 2016 AND 2015
(dollars in thousands, except share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulate Other Comprehen Income (Loss)
	Shares	Amount	Shares	Amount	Shares	Amount			
BALANCES, JANUARY 1, 2015	321,494	$ 2	—	$ —	2,009,964	$ 20	$ 232,983	$ (402,853)	$ (16,240)
Equity based compensation	—	—	—	—	—	—	11	—	—
Net loss	—	—	—	—	—	—	—	(26,068)	—
Foreign currency translation gain	—	—	—	—	—	—	—	—	(15,729)
BALANCES, DECEMBER 31, 2015	321,494	2	—	—	2,009,964	20	232,994	(428,921)	(31,969)
Equity based compensation	—	—	—	—	—	—	11	—	—
Issuance preferred stock	—	—	10,000	—	—	—	7,000	—	—
Net loss	—	—	—	—	—	—	—	(24,672)	—
Foreign currency translation loss	—	—	—	—	—	—	—	—	2,481
BALANCES, DECEMBER 31, 2016	321,494	$ 2	10,000	$ —	2,009,964	$ 20	$ 240,005	$ (453,593)	$ (29,488)

See notes to consolidated financial statements.
F-186

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Dollars in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (24,672)	$ (26,068)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,776	15,940
Amortization of deferred financing costs	1,506	1,654
Accretion of notes discount	8,045	6,855
Non-cash interest	7,692	6,504
Impairment of property, plant and equipment	—	1,643
Impairment of goodwill and other intangible assets	200	300
Loss on sale of divisions	5,783	—
Loss (gain) on disposal of assets	301	(83)
Non-cash equity based compensation	11	11
Deferred taxes	(2,004)	191
Changes in assets and liabilities		
Accounts receivable	(3,748)	7,474
Inventories	(1,124)	4,554
Prepaid expenses and other assets	1,414	2,092
Other long-term assets	(68)	(6,656)
Accounts payable	3,763	(6,833)
Long term vendor payable	—	1,927
Accrued and other long-term liabilities	3,366	(120)
Net cash provided by operating activities	14,241	9,385
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(9,347)	(9,068)
Proceeds from sales of assets	117	588
Proceeds from sale of divisions	12,939	2,000
Purchase of woindow and door company	(6,703)	—
Net cash used in investing activities	(2,994)	(6,480)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under previous ABL credit facility	17,600	33,628
Payments on previous ABL credit facility	(32,200)	(35,428)
Borrowings under current ABL credit facility	275	—
Proceeds of series B preferred stock issuance	7,000	—
Payments on Term Note	(2,000)	(2,000)
Addition to capital leases	—	36

Payments on capital leases	(101)	(151)
Net cash used in financing activities	(9,426)	(3,915)
EFFECT OF EXCHANGE RATE CHANGES	(66)	(209)
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,755	(1,219)
CASH AND CASH EQUIVALENTS – Beginning of period	55	1,274
CASH AND CASH EQUIVALENTS – End of period	$ 1,810	$ 55
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ 23,918	$ 24,726
Income taxes	$ 2,087	$ 1,352
Non-cash investing activities:		
Purchase of intangibles and goodwill through the Term Note	$ 1,882	$ —
Purchases of property, plant and equipment	$ 334	$ 769

See notes to consolidated financial statements.
F-187

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Dollars in thousands, except share amounts)

1. ORGANIZATION AND LIQUIDITY

Organization — Atrium Parent, Inc. (the "Parent") was incorporated under the laws of the State of Delaware and is the direct parent of Atrium Windows and Doors, Inc. (the "Subsidiary"). The Parent is a direct wholly owned subsidiary of Atrium Intermediate Holdings, Inc., ("Holdings"), which is a direct wholly owned subsidiary of Atrium Corporation (the "Company"). An investor group led by Golden Gate Private Equity, Inc. ("Golden Gate") and Kenner & Company, Inc. ("Kenner") controls the Company and the Parent. The Subsidiary is engaged in the manufacture and sale of residential windows, patio doors and various other building materials throughout the United States and Canada.

Liquidity — As of December 31, 2016, the Company had $9,939 of borrowing availability under its financing agreements. Liquidity is impacted by the seasonality of the business and routinely decreases after year-end due to winter and spring weather. The Company believes it will have sufficient liquidity through borrowing availability, available cash and cash flows from operating activities to fund its cash requirements for existing operations and capital expenditures through the next twelve months.

The Company has made strategic decisions to exit certain businesses allowing focus on larger and more profitable businesses. Operational improvements have also been a focus, including the reduction of headcount and corporate and divisional general and administrative costs.

In 2015, the Company continued its focus on key strategic markets and improving operations, by selling the assets of its wholly owned window manufacturing facility located in Murrysville, Pennsylvania. The proceeds of the transaction were used to pay down the Asset Based Lending facility borrowings.

In 2016, the Company continued its focus on key strategic markets and improving operations, by selling the assets of its wholly owned window manufacturing facilities located in Colorado and Washington. The Company also sold the assets of its wholly owned aluminum extrusion business in Texas. The proceeds of the transaction were used to pay down the Asset Based Lending facility borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation — The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates and assumptions are based upon the best available information and are subject to change as conditions within and beyond the control of the Company change, including, but not limited to, economic conditions, the availability of additional information and actual experience rates different from those used in the Company's estimates. Accordingly, actual results could differ from those estimates. Significant estimates are used in calculating allowance for bad debt, inventory reserves, recoverability of goodwill and other long-lived assets, self-insurance accruals, warranty accruals, net lease liabilities, contingent considerations, purchase price allocations, legal liabilities and in recognizing deferred tax assets and liabilities.

Cash and Cash Equivalents — The Company considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

Restricted Cash — Restricted cash of $100 at December 31, 2016 and 2015, represents credit enhancements in support of the Company's purchasing card programs.

TABLE OF CONTENTS

Financial Instruments — The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying value as of each balance sheet date because of the short maturities of these instruments. The fair value of the Company's debt also approximates the carrying value due to its variable interest rates and applicable margin on the ABL Credit Facility and recent amendments to the term and related party debt, as designated in Note 11. The applicable margin on the ABL Credit Facility is consistent with the current market rate at December 31, 2016.

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk principally comprise cash and cash equivalents and accounts receivable. Management believes that the institutions that hold the Company's cash and cash equivalents are financially sound, and accordingly, minimal credit risk exists with respect to these assets. At December 31, 2016 and 2015, the Company held cash of $2,325 and $2,061 Canadian Dollars, respectively, in foreign bank accounts.

The majority of accounts receivable are from customers in the homebuilding and residential repair and remodeling industry, located throughout central and eastern United States and Canada. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's base. At December 31, 2016 and 2015, one customer, with an investment grade credit rating, accounted for 57% and 55% of outstanding accounts receivable, respectively. Sales to this customer accounted for 39% and 40% of consolidated net sales in 2016 and 2015, respectively. The Company believes that the risk of loss from this customer is not significant.

Accounts Receivable and Allowance for Doubtful Accounts — Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts reflects management's best estimate of probable credit losses inherent in existing accounts receivable balance. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Accordingly, an allowance for doubtful accounts of $423 and $229 has been recorded for December 31, 2016 and 2015, respectively.

Inventories — Inventory is valued at the lower of cost or market under the first-in, first-out (FIFO) method of accounting. Work-in-process and finished goods inventories consist of direct materials, labor and manufacturing overhead. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and its estimated net realizable value based upon assumptions about future demand and market conditions.

Property, Plant and Equipment — Property, plant and equipment is stated at cost less accumulated depreciation. The Company depreciates these assets principally on a straight-line basis for financial reporting purposes over their estimated useful lives, as follows:

	Estimated Useful Life
Buildings and improvements	20 – 30 years
Machinery and equipment	3 – 10 years
Software implementation costs	3 years

Gains or losses on disposition represent the difference between the net proceeds and the net book value of the assets sold or retired. Expenditures for maintenance, minor renewals, and repairs are expensed as incurred, while major replacements and improvements are capitalized.

Long-Lived Assets — The Company periodically reviews the net realizable value of its long-lived assets, including property, plant and equipment and definite-lived intangible assets, whenever events and circumstances indicate an impairment may have occurred. In the event the Company determines that the carrying value of long-lived assets is in excess of estimated gross future cash flows for those assets, the value of the assets is written down to fair value.

In 2015, the Company had one division that experienced significant operating losses and whose long-lived assets were evaluated for impairment. The Company evaluated the recoverability of this division's

TABLE OF CONTENTS

long-lived assets, concluded that various assets were impaired, and recorded an impairment charge to write down the long-lived assets to fair value. As a result, the Company recognized impairment charges of $1,643, related to property, plant and equipment from the held-for-sale division included in discontinued operations. No such events or circumstances were identified during 2016. Accordingly, no impairment of long-lived assets was recorded during 2016.

Capitalized Software Costs — The Company capitalizes internal employee costs and external consulting costs associated with implementing and developing software for internal use. Internal costs capitalized include payroll and payroll-related costs for employees who are directly associated with the development, modification and implementation of the software. External costs include direct expenses related to consulting and other professional fees incurred in developing, modifying and implementing the software. Capitalization of costs occurs upon the completion of the preliminary project stage and when management believes it is probable a project will be completed and the software will be used to perform the function intended. Amortization begins the period after the software is put into service and is calculated on a straight-line basis over three years. Management continually reviews the carrying value and expected functionality of the accumulated costs for potential impairment. When it is no longer probable that computer software being developed will be completed, modified or placed in service, the asset's carrying value is expensed. For continuing operations, unamortized capitalized software costs at December 31, 2016 and 2015 were $601 and $143, respectively, and are included in property, plant and equipment. Amortization expense for the years ended December 31, 2016 and 2015 was $279 and $322, respectively. For discontinued operations, there were no unamortized capitalized software costs at December 31, 2016 and 2015. Amortization expense for the years ended December 31, 2016 and 2015 was $0 and $23, respectively.

Goodwill and Indefinite Lived Trade Names — In accordance with Accounting Standards Codification ("ASC") 350, Intangibles — Goodwill and Other, management reviews the carrying value of goodwill and indefinite lived trade names for recoverability based on estimated fair values of the reporting units in the fourth quarter of each year or when events or changes in circumstances indicate, in management's judgment, that the carrying value may not be recoverable. The fair values of the reporting units are based upon management's estimate of future cash flows and market participant assumptions for these reporting units. The carrying amounts of other indefinite lived assets are compared to their estimated fair values. The Company considers operating results, trends, and prospects of the Company, as well as competitive comparisons. The Company also takes into consideration competition within the building products industry and any other events or circumstances that might indicate potential impairment. If the asset is determined not to be recoverable, impairment is recognized as a charge to operations. In 2016 and 2015, trade name impairment charges of $200 and $300 included in continuing operations were recognized, and there was no impairment in discontinued operations.

Provision for Warranties — The Company estimates its warranty provisions based upon an analysis of all identified or expected claims and an estimated cost to resolve those claims and discounted using the Company's Weighted Average Cost of Capital. The estimates of expected claims are generally a factor of historical claims and cover all costs associated with such claims. The warranty reserve methodology includes costs associated with any intention to cover claims outside of contractual commitments. Changes in claim rates and differences between actual and expected warranty costs could impact warranty obligation estimates. The reserve for warranties is included in both current accrued liabilities and other long-term liabilities on the balance sheets and consisted of the following at December 31:

	2016	2015
Beginning reserve for warranties	$ (3,267)	$ (4,635)
Change in provision	(5,169)	(2,411)
Settlements	4,607	3,779
Ending reserve for warranties	$ (3,829)	$ (3,267)

Revenue Recognition — Revenue from the sale of windows and doors and related building products is recorded at the time of delivery to the customer. On contracts involving installation, revenue is recognized when the installation is complete. Revenues are recorded net of customer incentive programs including advertising allowances and volume rebates. Revisions to those estimates are charged to income in the period in which the facts that give rise to the revisions become known.

TABLE OF CONTENTS
The Company sells extended warranties on some of its products, both as bundled arrangements, as well as separately priced warranties; therefore, each product and each warranty service has a standalone selling price whether sold as a bundle or as standalone sales. Product promotions are frequently offered as bundled arrangements. For bundled arrangements in which a warranty is offered in conjunction with a product sale, revenue is allocated to both the product and warranty using a relative selling price method, also known as a multiple deliverable arrangement. In these cases, the Company recognizes extended warranty sales over the contract period of the warranty, and in proportion to the costs expected to be incurred in performing services under the contract.
The deferred revenue for extended warranties is included in both current accrued liabilities and other long-term liabilities on the balance sheets and consisted of the following at December 31:

	2016	2015
Beginning deferred revenue	$ (1,813)	$ (1,309)
Sales	(1,214)	(970)
Amortization	697	466
Ending deferred revenue	$ (2,330)	$ (1,813)

The Company's policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. The Company records the amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.
The Company classifies any shipping charges to customers as revenues. The costs of shipping and handling fees are presented in selling, delivery, general and administrative expenses in the Company's consolidated statements of operations, and were $23,293 and $22,230 in continuing operations for the years ended December 31, 2016 and 2015, respectively. Shipping and handling fees were $3,461 and $7,751 for discontinued operations in 2016 and 2015, respectively.
Income Taxes — The provision for income taxes is based on pretax income as reported for financial statement purposes. Deferred income taxes are provided in accordance with the liability method of accounting for income taxes to recognize the tax effects of temporary differences between financial statement and income tax accounting. The Company records a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.
The Company is included in the Parent's consolidated federal income tax return. The Company's income taxes have been presented as if calculated on a stand-alone separate income tax return basis.
Deferred Financing Costs — Deferred financing costs relate to costs incurred in the placement of the Company's debt and are being amortized over the maturities of the related debt using the straight-line method which approximates the effective interest method. The deferred financing costs related to all non-line-of-credit arrangements are shown as a reduction to the carrying value of the debt while all similar costs associated with line-of-credit arrangements are presented within Other Assets. The Company recorded deferred costs of $7,383 for the execution of the Senior Secured Notes in 2014. In addition, the Company refinanced its existing Asset Based Lending facility in December 2016 whereby $406 of deferring financing costs were written off associated with the old facility and $554 of costs associated with the new facility were capitalized and included in Other Assets. Amortization expense for the years ended December 31, 2016 and 2015 was $1,506 and $1,654, respectively.
Advertising Costs — Advertising costs are expensed when incurred and were $716 and $852 in continuing operations for the years ended 2016 and 2015, respectively. Advertising costs were $9 and $116 for discontinued operations in 2016 and 2015, respectively. Advertising expenses that relate to contractual cooperative advertising allowances and volume rebates with customers are recorded as a reduction to net sales in the consolidated statements of operations. Other advertising costs not related to volume rebates incurred by the Company are reflected in selling, delivery, general and administrative expenses in the consolidated statements of operations.
Restructuring Costs — Throughout 2016 and 2015, the Company implemented several restructuring plans (see Note 1). The Company incurred in continuing operations severance costs of $801 and $287 related to workforce reductions and $171 and $100 related to exit costs for leased facilities in 2016 and 2015,

F-191

TABLE OF CONTENTS

respectively. In discontinued operations, the Company recorded charges of $67 and $200 related to workforce reduction in 2016 and 2015, respectively.

Foreign Currency Translation Adjustments — The functional currency of the Company's Canadian subsidiary is the Canadian Dollar. Assets and liabilities of the Company's Canadian subsidiary are translated into U.S. dollars at exchange rates in effect at year-end, revenues and expenses are translated at the average monthly exchange rates for the period, and cash flows are translated using the exchange rates in effect at the time of the cash flows. Translation adjustments are not included in net income for the period, but are recorded in other comprehensive income (loss).

Discontinued Operations — A component of the Company or a group of components of the Company whose disposal marks a "strategic shift" that has or will have a major effect on operations and financial results are presented as discontinued operations. The strategic shift approved by the Company's management and Board of Directors and implemented over the last few years is to focus on the Company's larger, more profitable businesses including the distribution business in the U.S. and dealer business in Canada. The Company believes the size, scale and nature of these businesses have less risk and more profit potential than the smaller businesses and disposed of a plant located near Pittsburgh, Pennsylvania, in September 2015. In 2016, the Company sold substantially all of the assets related to its window and door business in Colorado and Washington and sold substantially all of the assets related to its aluminum extrusion business in Texas. These businesses when evaluated together represent this strategic shift which is viewed by management to be significant due to the improvement in profitability of the overall business and the reduced risk that exists as the focus shifts solely towards the larger more profitable businesses which have the size and scale to grow with the market with less cost structure.

This presentation occurs when the component or group of components (i) meets the criteria to be classified as held for sale; (ii) is disposed of by sale or (iii) is disposed of other than by sale (see Note 18). The results of operations of a component of an entity to be disposed of by sale may not be classified as discontinued until the held for sale criteria are met. For disposals other than by sale (e.g., abandonment, distribution or exchange for similar productive assets), the results of operations of a component is not recorded as a discontinued operation until the period in which the long-lived asset or disposal group is either abandoned, distributed or exchanged, depending on the manner of disposal. Prior period amounts in the December 31, 2015 financial statements have been reclassified to conform to the current year presentation for components which have met the discontinued operations criteria during the current year.

Reclassifications — As further discussed in Note 3 and Note 18, certain amounts in December 31, 2015 financial statements have been reclassified to conform to the December 31, 2016 presentation. These reclassifications had no effect on net income, total assets, total liabilities or total stockholders' equity as previously reported.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will affect any reporting organization that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets. The effective date for this ASU was postponed in August 2015 and the standard is now effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2018, and early adoption is not permitted. The Company is currently evaluating the impact this update will have on its consolidated financial statements and related disclosures.

In April 2015, FASB issued ASU 2015-03, Imputation of Interest, which requires capitalized debt issuance costs to be presented as a reduction to the carrying value of debt instead of being classified as a deferred charge, as currently required. This update will be effective for the Company for all annual periods beginning after December 15, 2015, and is required to be adopted retroactively for all periods presented. The Company reclassified the debt issuance costs related to all non-line-of-credit arrangements to show as a reduction to the carrying value of the debt.

TABLE OF CONTENTS

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. This ASU changes the measurement principle for inventories valued under FIFO or weighted-average methods from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined by the FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU does not change the measurement principles for inventories valued under the last-in, first-out ("LIFO") method. The ASU is effective in fiscal years beginning after December 15, 2016. Early adoption is permitted. This update is not expected to have a significant impact on the financial statements of the Company.

In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. This ASU confirmed that fees related to line-of-credit arrangements are not addressed in ASU 2015-03. Deferred initial up-front commitment fees paid by a borrower to a lender represent the benefit of being able to access capital over the contractual term, and therefore, meet the definition of an asset, while debt issuance costs in the scope of ASU 2015-03 do not. Therefore, the current accounting should not be changed with the issuance of ASU 2015-03 for these up-front commitment fees. Thus, an entity should continue to present such costs as an asset and subsequently amortize them ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This update will be effective for the Company for all annual periods beginning after December 15, 2015. The Company has classified $554 of deferred financing costs associated with its line-of-credit arrangements within Other Assets.

In November 2015, the FASB issued ASU 2015-17, Income Taxes, Balance Sheet Classification of Deferred Taxes. This standard requires all deferred tax assets and liabilities to be classified as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. In addition, valuation allowance allocations between current and noncurrent deferred tax assets are no longer required because those allowances also will be classified as noncurrent. This standard is effective for annual periods beginning after December 15, 2016. The Company early adopted this standard on a retrospective basis in 2016.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). This ASU primarily provides new guidance for lessees on the accounting treatment of leases. Under the new guidance, lessees are required to recognize assets and liabilities arising from leases on the balance sheet. ASU 2016-02 also aligns lessor accounting with the revenue recognition guidance in Topic 606 of the Accounting Standards Codification. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018 and is required to be adopted on a modified retrospective basis, meaning the new leasing model will be applied to the earliest year presented in the financial statements and thereafter. The Company is currently evaluating the impact of adopting this new accounting standard on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). This ASU amends certain aspects of accounting for share-based payments to employees, including (i) requiring all income tax effects of share-based awards to be recognized in the income statement when the award vests or settles and eliminating APIC pools, (ii) permitting employers to withhold the share equivalent of an employee's maximum tax liability without triggering liability accounting and (iii) allowing companies to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is evaluating the impact of adopting ASU 2016-09 on its financial statements, but does not believe the new guidance will have a significant impact on how it accounts for share-based payments.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, addressing eight specific cash flow issues in an effort to reduce diversity in practice. The amended guidance is effective for fiscal years beginning after December 31, 2017, and for interim periods within those years. Early adoption is permitted. The amended guidance will not have a material impact on the Company's statements of cash flows.

TABLE OF CONTENTS

4. INVENTORIES

Inventories at December 31, 2016 and 2015, consisted of the following:

	2016	2015
Raw materials	$ 13,422	$ 11,052
Work in process	244	239
Finished goods	2,990	3,607
Total	$ 16,656	$ 14,898

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2016 and 2015, consisted of the following:

	2016	2015
Land	$ 596	$ 578
Buildings and leasehold improvements	10,089	8,953
Machinery and equipment	58,258	52,485
Internally developed software	2,684	1,946
Construction-in-process	1,374	2,963
Total	73,001	66,925
Less accumulated depreciation	(43,309)	(37,453)
Net property, plant and equipment	$ 29,692	$ 29,472

Depreciation of property, plant and equipment and amortization of computer software in continuing operations totaled $6,458 and $6,839 for the years ended December 31, 2016 and 2015, respectively. Depreciation expense in discontinued operations was $1,069 and $2,398 for 2016 and 2015, respectively.

Capital Lease Agreements — At December 31, 2016 and 2015, the gross amount of capital lease assets and related accumulated depreciation recorded under capital leases were as follows:

	2016	2015
Hardware	449	449
Machinery and equipment	29	29
Office equipment	55	45
Total	533	523
Less accumulated depreciation	(490)	(479)
Net capital lease assets	$ 43	$ 44

6. GOODWILL

The changes in goodwill during the years ended December 31, 2016 and 2015, were as follows:

Balance, December 31, 2014	$ 30,834
Foreign currency translation adjustments	(4,100)
Balance, December 31, 2015	26,734
Foreign currency translation adjustments	655
Goodwill on acquisition of window and door company	4,103
Balance, December 31, 2016	$ 31,492

F-194

TABLE OF CONTENTS

7. INTANGIBLE ASSETS

The changes in intangible assets during the years ended December 31, 2016 and 2015, were as follows:

2016

	Beginning	Additions	Amortization	Impairment	Currency Translation Adjustments	Ending
Intangible assets with finite lives						
Customer relationships	$ 103,352	$ —	$ —	$ —	$ 2,301	$ 105,653
Accumulated amortization	(25,948)	—	(4,711)	—	(481)	(31,140)
Net intangible assets with finite lives	77,404	—	(4,711)	—	1,820	74,513
Intangible assets with indefinite lives Trade names	10,599	4,096	—	(200)	188	14,683
Intangible assets, net	$ 88,003	$ 4,096	$ (4,711)	$ (200)	$ 2,008	$ 89,196

2015

	Beginning	Additions	Amortization	Impairment	Currency Translation Adjustments	Ending
Intangible assets with finite lives						
Customer relationships	$ 117,747	$ —	$ —	$ —	$ (14,395)	$ 103,352
Accumulated amortization	(24,056)	—	(4,829)	—	2,937	(25,948)
Net intangible assets with finite lives	93,691	—	(4,829)	—	(11,458)	77,404
Intangible assets with indefinite lives Trade names	12,077	—	—	(300)	(1,178)	10,599
Intangible assets, net	$ 105,768	$ —	$ (4,829)	$ (300)	$ (12,636)	$ 88,003

The Company recorded $200 and $300 impairment to a trade name for the years ended December 31, 2016 and 2015, respectively, that has experienced declining sales over the recent years. Identified intangible assets subject to amortization are amortized to expense on a straight-line basis over their estimated useful lives of approximately 21 years. Future amortization for intangible assets subject to amortization at December 31, 2016 is as follows:

2017	$ 4,829
2018	4,829
2019	4,829
2020	4,829
2021	4,829
Thereafter	50,368
Total	$ 74,513

F-195

TABLE OF CONTENTS

8. OTHER LONG-TERM LIABILITIES, Net

Other long-term liabilities, net consisted of the following at December 31, 2016 and 2015:

	2016	2015
Warranty	$ 2,517	$ 2,393
Unearned revenue	1,706	1,547
Insurance reserves	3,860	4,060
Contingent consideration	887	—
Legal loss-contingencies	750	1,500
Deferred rent	252	108
Other	437	173
Total other long-term liabilities	$ 10,409	$ 9,781

9. OTHER ASSETS

Other assets, net consisted of the following at December 31, 2016 and 2015:

	2016	2015
Notes receivable	$ 289	$ 289
Deposits	1,322	1,049
Samples and displays, net	2,510	2,098
Insurance receivable	1,022	1,008
Deferred financing costs, net	554	580
Other	—	10
Total other assets, net	$ 5,697	$ 5,034

Samples and displays are presented net of amortization. The samples and displays are amortized over three years. Amortization expense in continuing operations was $1,518 and $1,603 for 2016 and 2015, respectively. Amortization expense in discontinued operations was $12 and $277 for 2016 and 2015, respectively.

10. BUSINESS COMBINATION

On December 31, 2016, the Company entered into an Asset Purchase Agreement with Brock Doors and Windows Inc., a corporation incorporated under the laws of the Provence of Ontario (the “Seller”), pursuant to which it purchased the Seller’s business relating to the sales, marketing, distribution, manufacturing and installation of windows and doors, including entry, patio and garage doors, together with all the assets related to the business. The purchase price was approximately $9,412. The Company paid cash of $6,703, which was funded through an equity contribution (see Note 14) and maximum contingent consideration of $3,000 Canadian Dollars due in installments of $1,500 Canadian Dollars at each December 31, 2017 and 2018. The fair value of this contingent consideration is $1,882. As part of the transaction, a net working capital threshold of $250 Canadian Dollars was established. Based on current estimates, the Company expects to owe an additional $827 resulting from final working capital amounts. The Seller is a current customer of the Company. For the year ended December 31, 2016, sales to the Seller by the Company were approximately $4,600.

This contingent consideration is payable in Canadian dollars and is dependent on certain business infrastructure improvements and continued employment, which the Company deems probable. The financial statements adjust the contingent payable at the reporting period date using the applicable spot rate and will continue to do so with charges being reflected in Other Expense in the Consolidated Income Statements over the next two years. The amounts were discounted using the Company’s Weighted Average Cost of Capital.

TABLE OF CONTENTS

The purchase price allocations to assets and liabilities on their estimated fair values as of the purchase date are as follows:

Present value of purchase price:	
Cash paid	$ 6,703
Contingent payable	1,882
Working capital adjustment	827
Total purchase price	$ 9,412
Fair value of assets acquired:	
Accounts receivable	$ 1,186
Inventories	675
Deposits and prepaid	118
Property, plant and equipment	167
Trade name	4,096
Goodwill	4,103
Accounts payable	(290)
Customer deposits	(643)
Total fair value of assets acquired:	$ 9,412

11. LONG-TERM DEBT

In April 2014, the Company refinanced its long-term debt in connection with the change in organizational structure (see Note 1). The Company issued $305,000 of Senior Secured Notes to the Parent and paid the Senior Secured Term Loan in full. The Company paid $64,291 of the Related-Party Subordinated Notes and transferred the balance of $50,000 to Holdings. All indebtedness has been consolidated for financial reporting purposes and is reported at the Company level.

At December 31, 2016 and 2015, long-term debt consisted of the following:

	2016	2015
Senior secured asset based revolving credit facility	$ 275	$ 14,600
Senior Secured Notes, including net unamortized discount and deffered financing costs of $5,483 and $4,932, respectively	299,517	297,168
Related party notes, including paid-in-kind interest of $18,371 and $10,679 respectively, and net of unamortized discount of $0 and $7,123, respectively	68,371	53,556
Capital lease obligations	38	137
Total debt	368,201	365,461
Less current portion of long-term debt:		
Senior secured asset based revolving credit facility	(275)	—
Capital lease obligations	(12)	(91)
Current portion of long-term debt	(287)	(91)
Long-term debt	$ 367,914	$ 365,370

Senior Secured Asset Based Revolving Credit Facility — The Company was a party to a Credit Agreement, dated April 30, 2010 and amended April 2014 (the “ABL Credit Facility”), with certain financial institutions (collectively, the “Lenders”) and General Electric Capital Corporation, as agent for the Lenders (the “Agent,” which term shall, from and after the Assignment Date (as defined below), reference the Successor Agent (as defined below)). The modifications included eliminating the Company as a party to the ABL Credit Facility and adding the Parent as a guarantor. The Amendment also changed the borrowing limits, borrowing base, fees, covenants and maturity date. In April 2015, the ABL Credit Facility was again amended, modifying the concentration risk and cash dominion previsions, among others.

TABLE OF CONTENTS

On June 8, 2015, General Electric Capital Corporation (the then existing Agent) agreed to sell its U.S.-sponsor finance business to an affiliate of Canada Pension Plan Investment Board (the "Buyer"). In connection therewith, effective August 21, 2015 (the "Assignment Date"), General Electric Capital Corporation assigned 100% of its interest in loans and commitments under the ABL Credit Facility to one or more affiliates of the Buyer and Antares Capital LP (the "Successor Agent") assumed the role of successor agent, swingline lender and letter of credit issuer under the ABL Credit Facility (such assignment and assumption, the "Assignment"). The Subsidiary consented to the Assignment and the terms and conditions of the ABL Credit Facility were not otherwise affected.

The Company, its subsidiaries and Atrium Parent, Inc. ("Holdings") entered into a Credit Agreement (the "Credit Agreement"), dated December 27, 2016 (the "Closing Date"), with certain financial institutions (the "ABL Lenders"), and Bank of America, N.A., as agent for the ABL Lenders (the "Agent"), in order to replace and refinance the Company's existing ABL facility.

As of the Closing Date, the aggregate borrowing limit under the Company's new ABL facility (the "ABL Facility") is $50,000, which includes a sub-facility available for the issuance of letters of credit up to $17,500. In connection with the entry into the Credit Agreement, the existing ABL credit agreement, dated as of April 30, 2010, by and among the Company, Holdings, certain of the Company's subsidiaries, the lenders party thereto and Antares Capital LP (as successor agent to General Electric Capital Corporation) (as amended, amended and restated, supplemented or otherwise modified prior to the Closing Date) was terminated (along with all credit and security documents in connection therewith).

All of the Company's domestic subsidiaries and certain of the Company's Canadian subsidiaries are currently guarantors to the Company's obligations under the ABL Facility. In addition, the Company's obligations under the ABL Facility and the obligations of the guarantors under the guarantees is secured by a first-priority security interest in all accounts receivable, supporting obligations and other rights to payment, inventory, all documents, instruments and general intangibles (excluding intellectual property, except that the Agent will receive a non-exclusive, royalty free, worldwide license or sublicense to use all of the Notes Collateral constituting intellectual property in connection with the exercise of its rights and remedies as a secured party) relating to such accounts and inventory, deposit accounts and proceeds of the foregoing, in each case, of the Company and each guarantor, whether owned on the closing date or thereafter acquired.

The ABL Facility matures on the earlier of December 27, 2021 or 90 days prior to the maturity or early termination of certain material indebtedness.

All borrowings by the Company or its subsidiaries under the ABL Facility are limited by availability under a borrowing base, which is an amount equal to the sum of: (i) 85% of the face amount of eligible accounts receivable (net of certain claimed returns, rebates, discounts, credits, allowances or taxes) and (ii) the lesser of (a) 75% of the value of eligible inventory and (b) 85% of the net orderly liquidation value of eligible inventory, subject, in each case, to reserves and discounted to reflect appraisal valuations.

At the Company's option, borrowings under the ABL Facility bear interest at a fluctuating rate equal to LIBOR plus 2.25% or Base Rate plus 1.25%; provided, that the fluctuating rate of interest is reduced, in each case, by 0.25% if the average daily availability as a percentage of total commitments (the "Average Availability Percentage") is at least 33% and is further reduced, in each case, by 0.25% if the Average Availability Percentage is at least 66%. "Base Rate" is equal to the greatest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.50% or (iii) LIBOR plus 1.00%. The interest rate was 4.75% and 4.50% as of December 31, 2016 and 2015, respectively.

The Company is required to pay certain fees and expenses in connection with the ABL Facility, including an unused commitment fee on the average daily amount of the unused portion of the ABL Facility at a rate of 0.375% per annum, payable quarterly in arrears on the first day of each calendar quarter; provided that the rate of the unused commitment fee shall be reduced to 0.25% if the Average Availability Percentage was at least 50% during the applicable quarter.

The Company is required to comply with various representations and affirmative and negative covenants, in each case as more fully set forth in the ABL Facility and related loan documents. If the borrowing base does not exceed the sum of the borrowings and letters of credit issued by at least $5,000, the Company is required to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 measured as of the last day of each month for the most recent period for which financial statements were delivered under the Credit Agreement; provided that once the fixed charge coverage ratio has been tested, it shall continue to be tested until the borrowing base exceeds the sum of the borrowings and letters of credit issued by at least $5,000 for 30 consecutive days.

The ABL Facility contains customary events of default. Upon the occurrence of an event of default under the ABL Facility, the Agent may (and shall at the request of the Required Lenders) terminate the revolving commitments, accelerate the outstanding obligations and exercise remedies with respect to the collateral. Additionally, unless a payment event of default or bankruptcy or insolvency event of default has occurred and is continuing (in which case the such increases shall be automatic), while any event of default exists under the ABL Facility, the Agent or the ABL Lenders holding a majority of the revolving commitments and outstanding loans and letter of credit obligations may increase the applicable interest rate on outstanding obligations by 2.00% per annum.

The ABL Facility is currently classified as short-term due to the lockbox arrangement and subjective acceleration clause. Future payments are shown in date of maturity.

Senior Secured Notes due 2019 — In April 2014, the Company issued $305,000 Senior Secured Notes bearing 7.75% interest under Rule 144A of the Securities Act at a 1.4% discount, yielding proceeds of $300,651. The Senior Secured Notes mature on May 1, 2019, with interest due on May 1 and November 1 of each year, commencing November 1, 2014.

The Senior Secured Notes are guaranteed by the Company, all of the Company's existing and future wholly owned domestic subsidiaries (other than the Subsidiary and subject to certain exceptions) and its Canadian subsidiary. The Senior Secured Notes are secured on a first-priority basis by substantially all the present and after-acquired tangible and intangible assets of the guarantors, other than the collateral of the ABL Credit Facility, for which the notes are secured on a second-priority basis.

The Senior Secured Notes require the Company to comply with certain covenants, including restrictions on dividends, incurring additional debt, asset sales and transactions with affiliates. In addition, the Senior Secured Notes contain customary events of default, including payment defaults, breaches of representation and warranties, change of control and bankruptcy and insolvency. However, there are no required financial maintenance covenants. The Company was in compliance with all applicable covenants at December 31, 2016.

Warrant Agreement — In December 2011, the Company issued 114,985 warrants for common stock to affiliates of Golden Gate in connection with the issuance of preferred shares. The warrants permit Golden Gate to purchase shares of the Company's common stock, on a one-for-one basis, for an exercise price of $0.01 per share. The warrants were exercisable upon issuance and can be exercised over a 10-year period from the issuance date and automatically exercise on the last day of the exercise period if they are not exercised prior to that date. The warrants were outstanding and exercisable as of December 31, 2016.

In connection with the refinancing in April 2014, the Company entered into a Warrant Agreement (the "Warrant Agreement") with affiliates of Golden Gate. Under the terms of the Warrant Agreement, the Company issued 237,475 warrants on common stock and 35,722 warrants on preferred stock to GGC Finance Partnership, L.P. The warrants permit Golden Gate to purchase shares of the Company's common stock, on a one-for-one basis, for an exercise price of $0.01 per share. The Warrants, which are currently exercisable and expire 10 years after issuance, represent 10.0% of the Company's common and preferred stock on a fully diluted basis (including the shares issuable upon exercise of the Warrants and excluding certain out-of-the-money stock options) as of the date of the issuance. The warrants are exercisable immediately; the number of shares and exercise price are subject to customary anti-dilution protection. The fair value of the warrants was determined to be $15,242 as of the date of issuance and was recorded as additional paid in capital with a corresponding discount to the carrying value of the Related-Party Notes. For the years ended December 31, 2016 and 2015, $6,852 and $5,665 of original issue discount amortization was recognized as interest expense, respectively. There was no remaining unamortized discount as of December 3, 2016.

At December 31, 2016, future principal payments due under long-term debt, including capital leases with initial or remaining terms greater than 12 months and obligations included within Discontinued Operations (Note 18), are scheduled as follows:

TABLE OF CONTENTS

2017	$ 1,512
2018	1,258
2019	374,129
2020	8
2021	277
Thereafter	—
Total	$ 377,184

Guarantors — The Company and all its subsidiaries serve as guarantors for the ABL Credit Facility and the Senior Secured Notes.

12. ACCRUED LIABILITIES

Accrued liabilities at December 31, 2016 and 2015, consisted of the following:

	2016	2015
Salaries and payroll taxes	$ 3,777	$ 4,281
Advertising allowances and customer rebates	3,225	1,464
Sales, use and property taxes	894	270
Warranty, current	1,312	874
Management fees, related party	8,750	7,000
Professional services	614	709
Restructuring charges	559	23
Interest	3,943	4,216
Insurance reserves, current	2,192	2,374
Unearned revenue, current	1,305	480
Contingent consideration, net	995	—
Income taxes	470	456
Other	1,247	214
Total accrued liabilities	$ 29,283	$ 22,361

13. FEDERAL INCOME TAXES

Deferred income tax assets and liabilities consisted of the following temporary differences as of December 31:

	2016	2015
Deferred income tax assets:		
Accounts receivable allowance	$ 299	$ 550
Inventory cost capitalization and valuation	675	1,067
Accrued vacation and bonuses	267	1,000
Other accrued liabilities	978	805
Currency translation adjustment	344	346
Warranty	426	1,529
Workers' compensation	359	152
Alternative minimum tax carryforwards and other	372	373
Related party interest	6,981	4,058

Forward contract	12	—
Net operating loss carryforwards	202,625	195,127
Total deferred income tax assets	213,338	205,007
Valuation allowance	(204,817)	(197,370)
Net deferred income tax assets	8,521	7,637
Deferred income tax liabilities:		
Fixed and intangible assets	(26,558)	(27,160)
Total deferred income tax liabilities	(26,558)	(27,160)
Net deferred income taxes	$ (18,037)	$ (19,523)

TABLE OF CONTENTS

At December 31, 2016, the Company had net operating loss carryforwards of $577,523, which begin to expire in 2019. The emergence from bankruptcy in 2010 resulted in an ownership change under Internal Revenue Code Section 382. The ultimate utilization of the net operating loss carryforwards will depend on future financial performance and will be subject to an annual limitation.

The Company has generated significant deferred tax assets partially due to its historical tax losses. The Company evaluated its deferred tax assets to determine whether a valuation allowance is required based on a determination of whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The Company concluded that there exists significant negative evidence in considering whether deferred tax assets are realizable. Therefore, during 2016, the Company adjusted its valuation allowance to approximately $204,817 against substantially all of its deferred tax assets. The Company excluded the deferred tax liabilities related to certain indefinite-lived intangibles when calculating the amount of valuation allowance needed as these liabilities cannot be considered as a source of income when determining the realizability of the deferred tax assets. The valuation allowance was recorded as a reduction to deferred income tax benefit.

The deferred tax assets for which there is no valuation allowance relate to amounts that can be realized through future reversals of existing taxable temporary differences or through the generation of sufficient taxable income. To the extent the Company generates sufficient taxable income in the future to fully utilize the tax benefits of the deferred tax assets on which a valuation allowance was recorded, the Company's effective tax rate may decrease as the valuation allowance is reversed.

The components of the provision (benefit) for income taxes for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Federal income tax provision (benefit):		
Current	$ —	$ —
Deferred	—	309
State income tax provision (benefit):		
Current	47	134
Deferred	(228)	770
Foreign income tax provision (benefit):		
Current	2,308	1,839
Deferred	(807)	(823)
Income tax expense	$ 1,320	$ 2,229

Reconciliations of the federal statutory income tax rate to the effective tax rates for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Tax benefit computed at statutory rate	$ (5,313)	$ (3,658)
State taxes, net of federal tax effects	(181)	857
Foreign rate difference	(640)	(407)
Valuation allowance	5,966	7,495
Other permanent differences	1,488	(2,058)
Income tax expense	$ 1,320	$ 2,229

For income tax purposes, Internal Revenue Code Section 197 provides for the amortization of certain intangible assets, including goodwill, for asset acquisitions occurring after August 1993. Any resulting difference in the book and tax basis of these intangibles is reflected as a component of deferred taxes.

The Company recognizes the benefit from uncertain tax positions that are more-likely-than-not to be sustained upon examination by the taxing authorities. The Company's policy is to record any impact to

TABLE OF CONTENTS

income tax expense. The Company does not expect the change in unrecognized tax benefits to have a significant impact on its results of operations or financial position during the next 12 months.

If interest or penalties are paid related to income taxes, the interest expense is recorded as tax expense and the penalties are recorded as operating expense. There were no interest or penalties paid in 2016 or 2015. The Company has tax years from 1999 through 2016 that remain open and subject to examination by the Internal Revenue Service and/or certain state taxing authorities.

14. RELATED PARTIES

Stockholders Agreement — The Company is party to a stockholders agreement, dated as of April 30, 2010, as well as various other stockholders of the Company who have joined the Stockholders Agreement by execution of a joinder agreement. Each of the members of the Company's board of directors has been designated in accordance with the terms of the Stockholders Agreement.

The Stockholders Agreement contains customary terms, including terms regarding transfer restrictions, rights of first offer, tag-along rights, drag-along rights and preemptive rights with respect to the Company's capital stock.

In connection with the acquisition in Note 10, the Company received $7,000 of proceeds from issuance of Series B Preferred Stock. GGC BP Intermediate Holdings, LLC purchased 10,000 shares of Series B Preferred Stock with a $0.01 par value.

Management Advisory Agreements — The Company has entered into separate advisory agreements with each of GGC Administration, LLC ("GGC"), an affiliate of Golden Gate, and Kenner (the "Advisory Agreements"). Pursuant to the Advisory Agreements, GGC and Kenner have each agreed to perform certain services for the Company and its subsidiaries that may include, but are not limited to:

- general executive and management services;
- identification, support, negotiation and analysis of acquisitions and dispositions by the Company;
- support, negotiation and analysis of financing alternatives, including, without limitation, in connection with acquisitions, capital expenditures and refinancing of existing indebtedness;
- marketing functions, including monitoring of marketing plans and strategies;
- human resources functions, including searching and hiring of executives; and
- other services for the Company upon which the Company's board of directors and GGC and/or Kenner agree in writing.

Pursuant to the Advisory Agreements, GGC and Kenner will divide an annual fee equal to the greater of (i) $1,750 or (ii) 3% of the Company's EBITDA, based on a definition thereof described in the Advisory Agreements, and will also be reimbursed for reasonable expenses. Payment of the annual fee under the Advisory Agreements is subject to the terms of the Company's credit and financing arrangements. The Company recognized expense for advisory fees of $1,750 annually to GGC and Kenner in 2016 and 2015. At December 31, 2016 and 2015, accruals of $8,750 and $7,000 were included in accrued liabilities in the balance sheet (see Note 12).

In addition, under the Advisory Agreements, GGC and Kenner will divide additional transaction fees that will be paid upon the consummation of any future change of control, acquisition, divestiture, recapitalization or financing or other similar transaction by or involving the Company in an amount equal to 1.0% of the aggregate value of such transaction. The applicable transaction fee will be divided between GGC and Kenner based on a formula described in the Advisory Agreements. At December 31, 2016 and 2015, an accrual of $930 was included in accounts payable in the balance sheet.

Indemnification Agreements — The Company has entered into indemnification agreements with various members of senior management and the board of directors, pursuant to which the Company and the Parent will indemnify them if any of them becomes a party to or other participant in any threatened, pending or completed action, suit or proceeding relating to the fact that such person is or was a director, officer, employee, agent or fiduciary of the Company.

TABLE OF CONTENTS

Related-Party Notes — In 2016, the Company entered into a one-year retention arrangement with certain key executives in exchange for loans of $300. In 2015, the Company entered into a two-year retention arrangement with certain key executives in exchange for loans of $538. The Company is amortizing these loans over the life of the arrangements and has expensed amounts forgiven of $522 in 2016 in regards to these loans. These balances are included in Prepaid expenses and other current assets on the Consolidated Balance Sheet of $316 and $538 as of December 31, 2016 and 2015, respectively.

Senior Secured Notes — A subsidiary of Golden Gate purchased $40,000 of Senior Secured Notes issued by the Company in April 2014. At December 31, 2016 and 2015, the accrued interest on the subsidiary's portion of the bonds was $517 and $534, respectively.

15. COMMITMENTS AND CONTINGENCIES

Leases — The Company has entered into operating lease agreements for office and manufacturing space, automobiles and machinery and equipment. Total rent expense for continuing operations for the years ended December 31, 2016 and 2015, was $6,269 and $5,774, respectively. Total rent expense for discontinued operations for the years ended December 31, 2016 and 2015, was $1,813 and $3,792, respectively. At December 31, 2016, future minimum rents due under leases for continuing and discontinued operations with initial or remaining terms greater than 12 months are as follows:

		Operating Leases		
	Capital Leases	Vehicle, Office and Warehouse Equipment	Facility and Real Property	Total
2017	$ 12	$ 1,036	$ 5,676	$ 6,724
2018	8	765	4,994	5,767
2019	8	460	4,914	5,382
2020	8	385	4,927	5,320
2021	2	349	4,426	4,777
Thereafter	—	1,871	9,595	11,466
Total	$ 38	$ 4,866	$ 34,532	$ 39,436

Certain lease agreements provide for increased payments based on changes in the consumer price index. Additionally, under certain lease agreements the Company is obligated to pay insurance and taxes. These lease agreements have various lease restoration clauses, which are believed to be immaterial based on prior experience and periodic inspection by the landlord and/or have been assumed by the Company's subtenants. As of December 31, 2016, the Company has current deferred rent of $277 and noncurrent of $252. As of December 31, 2015, the Company had current deferred rent of $210 and noncurrent of $108.

The Company has several sublease agreements on leased properties which provided for $1,136 and $657 in sublease income for the years ended December 31, 2016 and 2015, respectively. All sublease income is included in discontinued operations. Future minimum rents to be received for the year ended December 31, 2017 is $1,140 and for years ended December 31, 2018 through 2021 is $612, annually. In connection with the Thermal transaction discussed in Note 18, the Company has entered into a sublease agreement whereby all requirements under the lease agreement are passed on to the buyer.

Transportation Purchase Commitments — At December 31, 2016 and 2015, the Company has a dedicated contract service agreement with a transportation provider for the North Carolina window division and captive extrusion plant that requires a minimum annual purchase commitment of 5.0 million miles per year through the term of the contract which ends October 2, 2018. The Company did not satisfy the commitment in 2016. However, the penalty was waived. The Company satisfied the commitment in 2015.

In March 2014, the Company entered into a dedicated contract service agreement with another transportation provider for the Texas window division, with an option to extend to other divisions. The agreement has a three-year initial term with a sixty day cancellation clause. The Company is committed to fixed charges of $53 per week through February 2017 and variable charges based on number of vehicles, drivers and other factors. This agreement does not have a minimum mileage commitment.

TABLE OF CONTENTS

PVC Supply Contracts — The Company has a contract to purchase PVC compound to use in the manufacturing process. The contract requires a minimum annual commitment of 27 million pounds for 2017 through 2023 at floating prices adjusted monthly by industry published resin indexes. The Company expects to achieve this commitment.

Glass Contract — The Company has a contract with a glass supplier for substantially all U.S. glass purchases through December 31, 2018 that requires the purchase of all rack lot glass and customer tempered glass, with the exclusion of some defined division specific product needs, from the supplier at agreed fixed pricing. Further, the Company has agreed to pricing with a different glass supplier for all Canadian glass purchases with agreed pricing through December 31, 2017. Pricing is substantially consistent to market value.

Aluminum Supply Contract — The Company entered into a supply agreement with an aluminum extrusion supplier in August 2016 in connection with the sale of the Company's aluminum extrusion division to that supplier (see Note 18). Under the terms of the supply agreement, the Company agreed to purchase all aluminum profiles that had previously been supplied to the Company's U.S. window and door plants by the aluminum extrusion division. There are no minimum volume commitments in the agreement.

Environmental — From time to time the Company is involved in investigation and cleanup related to environmental matters associated with its manufacturing operations. In addition, the Company has applied for a municipal setting designation with regard to its former Wylie, Texas, facility per the terms of the sale of that facility in 2016. While the potential costs related to such matters and their possible impact on future operations are uncertain due in part to: the uncertainty as to the extent of pollution, the complexity of applicable government laws and regulations and their interpretations, the varying costs and effectiveness of alternative cleanup technologies and methods, the uncertain level of insurance or other types of recovery and the extent of the Company's involvement in the opinion of management, none of these matters are expected to have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Litigation — The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. Applicable accounting guidance requires the Company to accrue a liability if it is probable that the liability has been incurred and the amount of that liability can be reasonably estimated. At December 31, 2016, the Company has $750 accrued for loss contingencies arising from cases against the Company, included in other long-term liabilities on the Consolidated Balance Sheet. Management believes the payment of these contingencies is probable and the accrual amount was estimated based on discussion with legal counsel and the review of similar historical cases. The accruals are adjusted as needed as additional information is received, but the actual loss to be incurred may be significantly greater than or less than the amount presently accrued.

In the opinion of management, all other claims and legal matters including, employee and product defect cases, are without merit or are of such kind, or involve such amounts, that an unfavorable disposition would not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Self-Insured Risks — The Company maintains a broad range of insurance policies which include employee health, general liability, vehicle, and workers compensation insurance coverage. These insurance policies protect the Company against a portion of the risk of loss from claims. However, the Company retains a portion of the overall risk for such claims through its self-insured per occurrence and aggregate retentions, deductibles and claims in excess of available insurance policy limits. The Company's insurance coverage is generally subject to a per occurrence retention. The Company reserves for costs associated with claims, as well as incurred but not reported losses, based on an outside actuarial analysis of its historical claims. These estimates make up a significant portion of the Company's liability and are subject to a high degree of uncertainty due to a variety of factors, including changes in type of claims, claims reporting and resolution patterns, frequency and timing of claims, third-party recoveries, estimates of claim values, claims management expenses (including legal and expert fees), insurance industry practices, the regulatory environment and legal precedent. Adjustments to reserves are recorded in the period in which the change in estimate occurs. As of December 31, 2016 and

TABLE OF CONTENTS

2015, the liabilities for self-insurance reserves are included in accrued liabilities of $2,192 and $2,374 and other long-term liabilities of $3,860 and $4,060, respectively, of which $1,022 and $1,008 are recoverable under third-party insurance policies and included in Other assets on the Consolidated Balance Sheet. In addition to self-insurance, the Company has other similar state programs of $62 and $42, in accrued liabilities, for December 31, 2016 and 2015, respectively.

16. OTHER EXPENSE (INCOME)

Other expense (income), net for the years ended December 31, 2016 and 2015, consisted of the following:

	2016	2015
Franchise tax	$ 401	$ 173
Legal settlement, net of expenses	—	(992)
Other	145	300
Total expense (income), net	$ 546	$ (519)

17. EMPLOYEE BENEFIT PLAN

The Company has an employee savings plan under Section 401(k) of the Internal Revenue Code. The Company contributed $444 and $200 to the employee savings plan during 2016 and 2015, respectively.

18. DISCONTINUED OPERATIONS

In 2015, the Company continued focusing on key strategic markets and improving operations, by selling the assets of its wholly owned window manufacturing facility located in Murrysville, Pennsylvania. On September 30, 2015, the Company completed an Asset Purchase Agreement with a subsidiary of Gemini Capital, LLC (the "Purchaser") to which it sold substantially all of the assets of its wholly owned subsidiary, Thermal Industries, Inc. for $2,000 plus the assumption of warranty, trade payable, and payroll-related liabilities by the Purchaser. The result was a loss on disposal of $893 recorded in loss from discontinued operations, net of tax on the Consolidated Statement of Operations and Comprehensive Loss. The Company also entered into a transition services agreement with the Purchaser pursuant to which the Company will provide the Purchaser with certain information technology and related services in connection with the ongoing operation of the Thermal business for a period following closing of the sale.

In 2016, the Company sold the window and door facilities located in Denver, Colorado and Yakima, Washington to a private investment group and sold its aluminum extrusion business, Extruders, located in Texas to Tower Extrusions, LTD. The proceeds of the transaction were used to pay down the Asset Based Lending facility borrowings.

Term Note — In 2014, prior to the decision to exit the aluminum extrusion business, the Company entered into an asset purchase agreement (the "Purchase Agreement") with Lippert. Pursuant to the Purchase Agreement, the Company agreed to purchase certain of Lippert's fixed assets for $7,500, of which $2,000 was paid in 2014. The discount on the Term Note was 1.96%, or $147.

At December 31, 2016, the remaining balance on the Term Note of $1,500 is due in December of 2017.

In connection with the purchase, a six year aluminum extrusion supply agreement was executed with the Company as the supplier and Lippert as the buyer. To the extent more than 95 million pounds of extruded aluminum are purchased by Lippert, the Company is required to pay an additional $1,250 of purchase price.

The supply agreement requires minimum purchases from the Company by Lippert for six years beginning in 2015. To the extent that either the Company fails to produce or Lippert fails to purchase the minimum volume requirements, the party at fault will be monetarily penalized. In 2016, both parties agreed to modify the agreement to suspend minimum volume requirements for 2015.

On July 8, 2015, the Company terminated its extrusion supply agreement with Lippert. As amended, the Company has agreed to pay Lippert an additional $2,000, comprised of $1,250 in 2018 and $750 in 2019, in addition to amounts previously owed. In the event of a change in control of the Company prior to December 31, 2017, the aggregate amount payable would decrease by $150.

TABLE OF CONTENTS

The following table presents the carrying amounts of the major classes of assets and liabilities of discontinued operations as of December 31, 2106 and 2015:

	2016	2015
Assets:		
Accounts receivable, net	$ 251	$ 8,736
Inventories, net	—	6,444
Prepaid expenses and other current assets	69	643
Property, plant and equipment, net	—	6,015
Goodwill	—	2,663
Intangible assets, net	—	1,154
Other long-term assets, net	4	349
Assets of discontinued operations	$ 324	$ 26,004
Liabilities:		
Current portion of long-term debt	$ 1,500	$ 2,000
Accounts payable	8	2,125
Accrued liabilities	1,091	3,439
Current liabilities of discontinued operations	2,599	7,564
Long-term debt, net of current	1,939	3,386
Other long-term liabilities	—	259
Long-term liabilities of discontinued operations	1,939	3,645
Liabilities of discontinued operations	$ 4,538	$ 11,209

The operating results of the discontinued operations, including results from qualifying assets held-for-sale, for the years ended December 31, 2016 and 2015 are summarized below:

	2016	2015
Net Sales	$ 45,913	$ 105,383
Loss on disposal	$ 5,783	$ 897
Loss before income taxes	3,354	12,482
Income tax (benefit)/expense	(964)	23
Loss from discontinued operations	$ 8,173	$ 13,402
Depreciation	$ 1,069	$ 2,398
Amortization	$ 18	$ 286

19. SUBSEQUENT EVENTS

On March 14, 2017, the Company entered into an Asset Purchase Agreement with TRU TECH CORPORATION, a corporation incorporated under the laws of the Provence of Ontario (the “Seller”), pursuant to which it will purchase the Seller’s business relating to the sales, marketing, distribution, and manufacturing of entry door systems, together with all the assets related to the business. The purchase price will be approximately $12,000 Canadian Dollars or approximately $9,000 USD. The Company funded the purchase through the issuance of equity of approximately $6,700 USD and cash from operations. The Seller will continue to be a supplier to the Company after the close of the transaction.

Effective March 2017, the Company changed transportation providers for the Texas window division referenced in Note 15 to the provider we use in our North Carolina window division. There are no minimum mileage commitments. The Company is committed to fixed charges of $38 per week and variable charges for number or miles and vehicle stops.

Subsequent events have been evaluated through March 14, 2017, which is the date the financial statements were available to be issued.

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands, except share and per share amounts)

	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,785	$ 3,035
Restricted cash	99	100
Accounts receivable, net of allowance for doubtful accounts of $392 and $373, respectively	26,379	27,081
Inventories	19,309	15,765
Prepaid expenses and other current assets	3,671	3,873
Assets of discontinued operations	48	63
Total current assets	55,291	49,917
LONG-TERM ASSETS:		
Property, plant and equipment, net	28,339	29,392
Goodwill	35,936	36,780
Intangible assets, net	89,274	92,509
Other assets, net	4,850	5,032
Total long-term assets	158,399	163,713
Total assets	$ 213,690	$ 213,630
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 42	$ 42
Accounts payable	13,702	12,389
Accrued liabilities	26,894	21,570
Liabilities of discontinued operations	1,680	1,770
Total current liabilities	42,318	35,771
LONG-TERM LIABILITIES:		
Long-term debt, net of current	302,549	301,974
Long-term debt due to related party	79,709	77,326
Long-term liabilities of discontinued operations	728	722
Deferred tax liabilities	16,223	17,145
Other long-term liabilities	8,641	8,274
Total long-term liabilities	407,850	405,441
Total liabilities	450,168	441,212
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Series A Preferred stock $.01 par value, 600,000 shares authorized, 321,494 shares issued and outstanding	2	2

Series B Preferred stock $0.01 par and 22,141 shares issued and outstanding	—	—
Common stock $.01 par value, 3,000,000 shares authorized 2,009,964 shares issued and outstanding	20	20
Paid-in capital	248,505	248,505
Accumulated deficit	(459,618)	(453,615)
Accumulated other comprehensive loss	(25,387)	(22,494)
Total stockholders' deficit	(236,478)	(227,582)
Total liabilities and stockholders' deficit	$ 213,690	$ 213,630

See accompanying notes to condensed consolidated financial statements.
F-207

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED (Unaudited)
(Dollars in thousands)

	March 31, 2018	March 31, 2017
NET SALES	$ 72,369	$ 69,465
COST OF GOODS SOLD	50,873	49,304
Gross profit	21,496	20,161
OPERATING EXPENSES:		
Selling, delivery, general and administrative expenses	16,694	16,499
Amortization expense	1,722	1,588
Total selling, delivery, general and administrative expenses	18,416	18,087
Gain on disposal of assets, net	—	(201)
Total operating expenses	18,416	17,886
OPERATING INCOME FROM CONTINUING OPERATIONS	3,080	2,275
Interest expense	9,050	8,852
Other expense, net	61	64
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(6,031)	(6,641)
Income tax expense (benefit)	(464)	120
LOSS FROM CONTINUING OPERATIONS	(5,567)	(6,761)
Loss from discontinued operations, net of tax	(436)	(241)
NET LOSS	(6,003)	(7,002)
Other comprehensive (loss) income, net of taxes:		
Foreign currency translation adjustment	(2,893)	656
Comprehensive loss	$ (8,896)	$ (6,346)

See accompanying notes to condensed consolidated financial statements.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED (Unaudited)
(Dollars in thousands)

	March 31, 2018	March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,003)	$ (7,002)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,361	3,207
Amortization of deferred financing costs	414	380
Accretion of notes discount	223	226
Non-cash interest	2,383	2,128
Gain on disposal of assets	—	(201)
Deferred taxes	(489)	—
Changes in assets and liabilities:		
Accounts receivable	609	(1,632)
Inventories	(3,710)	(1,650)
Prepaid expenses and other assets	164	173
Other long-term assets	26	653
Accounts payable	1,434	(219)
Accrued and other long-term liabilities	5,787	6,481
Net cash provided by operating activities	4,199	2,544
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(1,339)	(2,794)
Proceeds from sales of assets	—	268
Purchase of entry door company	—	(9,036)
Net cash used in investing activities	(1,339)	(11,562)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under ABL Credit Facility	—	5,058
Payments under ABL Credit Facility	—	(3,050)
Proceeds from capital contributions	—	6,700
Payments on capital leases	(8)	(3)
Net cash (used in) provided by financing activities	(8)	8,705
EFFECT OF EXCHANGE RATE CHANGES	(102)	(75)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,750	(388)
CASH AND CASH EQUIVALENTS – Beginning of period	3,035	1,810
CASH AND CASH EQUIVALENTS – End of period	$ 5,785	$ 1,422

See accompanying notes to condensed consolidated financial statements.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

1. ORGANIZATION

Organization — Atrium Parent, Inc. (the "Parent") was incorporated under the laws of the State of Delaware and is the direct parent of Atrium Windows and Doors, Inc. (the "Subsidiary"). The Parent is a direct wholly owned subsidiary of Atrium Intermediate Holdings, Inc., ("Holdings"), which is a direct wholly owned subsidiary of Atrium Corporation (the "Company"). An investor group led by Golden Gate Private Equity, Inc. ("Golden Gate") and Kenner & Company, Inc. ("Kenner") controls the Company and the Parent. The Subsidiary is engaged in the manufacture and sale of residential windows, patio doors, entry doors and various other building materials throughout the United States and Canada.

2. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The year-end condensed consolidated balance sheet data was derived from audited financial statements of the Company, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These condensed consolidated financial statements and footnotes should be read in conjunction with the Company's financial statements for the fiscal year ended December 31, 2017. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the unaudited financial information have been included. The results of operations for any unaudited period are not necessarily indicative of the results of operations for a full year.

The preparation of financial statements requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will affect any reporting organization that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets. The effective date for this ASU was postponed in August 2015 and the standard is now effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2018. The Company is currently evaluating the impact this update will have on its condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). This ASU primarily provides new guidance for lessees on the accounting treatment of leases. Under the new guidance, lessees are required to recognize assets and liabilities arising from leases on the balance sheet. ASU 2016-02 also aligns lessor accounting with the revenue recognition guidance in Topic 606 of the Accounting Standards Codification ("ASC"). ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019 and is required to be adopted on a modified retrospective basis, meaning the new leasing model will be applied to the earliest year presented in the financial statements and thereafter. The Company is currently evaluating the impact of adopting this new accounting standard on its financial statements.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

In February 2018, the FASB issued ASU 2018-02, Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU 2018-02 addresses the impact of adjustments to deferred taxes due to the reduction of the historical income tax rate to the newly enacted corporate income tax rate as required by the December 2017 tax legislation, H.R.1. originally known as the Tax Cuts and Job Act (the “Tax Act”). The amendments in this update allow reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. The effective date for the standard is for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of the pending adoption of this standard on its consolidated financial statements.
In March 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-05, Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. The ASU adds various SEC paragraphs pursuant to the issuance of the December 2017 SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”), which was effective immediately. The SEC issued SAB 118 to address concerns about reporting entities’ ability to timely comply with the accounting requirements to recognize all of the effects of the Tax Act in the period of enactment. SAB 118 allows disclosure that timely determination of some or all of the income tax effects from the Tax Act is incomplete by the due date of the financial statements and if possible to provide a reasonable estimate. The Company has accounted for the tax effects of the Tax Act under the guidance of SAB 118, on a provisional basis. The accounting for certain income tax effects is incomplete, but the Company has determined reasonable estimates for those effects and has recorded provisional amounts in its consolidated financial statements as of March 31, 2018 and December 31, 2017. The Company expects to complete its analysis within the measurement period in accordance with SAB 118.

4. INVENTORIES

Inventories at March 31, 2018 and December 31, 2017, consisted of the following:

	31-Mar-18	31-Dec-17
Raw materials	$ 14,705	$ 12,906
Work in process	449	336
Finished goods	4,155	2,523
Total	$ 19,309	$ 15,765

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2018 and December 31, 2017, consisted of the following:

	31-Mar-18	31-Dec-17
Land	$ 620	$ 638
Buildings and leasehold improvements	11,797	11,799
Machinery and equipment	63,486	63,420
Internally developed software	2,859	2,688
Construction-in-process	1,160	1,059
Total	79,922	79,604
Less accumulated depreciation	(51,583)	(50,212)
Net property, plant and equipment	$ 28,339	$ 29,392

F-211

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

Depreciation of property, plant and equipment and amortization of computer software in continuing operations totaled $1,639 and $1,619 for the three months ended March 31, 2018 and 2017, respectively. Depreciation expense in discontinued operations was $0 for each of the three months ended March 31, 2018 and 2017.
Capital Lease Agreements — At March 31, 2018 and December 31, 2017, the gross amount of capital lease assets and related accumulated depreciation recorded under capital leases were as follows:

	31-Mar-18	31-Dec-17
Hardware	$ 449	$ 449
Vehicles	86	88
Machinery and equipment	29	29
Office equipment	42	44
Total	606	610
Less accumulated depreciation	(524)	(527)
Net capital lease assets	$ 82	$ 83

6. GOODWILL

The changes in goodwill during the quarter ended March 31, 2018 were as follows:

	Goodwill
Balance, December 31, 2017	$ 36,780
Foreign currency translation adjustments	(844)
Balance, March 31, 2018	$ 35,936

7. INTANGIBLE ASSETS

Intangible assets at March 31, 2018 and December 31, 2017 consisted of the following:

	31-Dec-17	Additions	Amortization	Currency Translation Adjustments	31-Mar-18
Intangible assets with finite lives					
Customer relationships	$ 115,832	$ —	$ —	$ (2,348)	$ 113,484
Accumulated amortization	(37,765)	—	(1,314)	706	(38,373)
Net intangible assets with finite lives	78,067	—	(1,314)	(1,642)	75,111
Intangible assets with indefinite lives					
Trade names	14,442	—	—	(279)	14,163
Intangible assets, net	$ 92,509	$ —	$ (1,314)	$ (1,921)	$ 89,274

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

8. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss), net of tax was comprised of the following for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended	
	31-Mar-18	31-Mar-17
Net loss	$ (6,003)	$ (7,002)
Foreign currency translation (loss) gain	(2,893)	656
Comprehensive loss	$ (8,896)	$ (6,346)

9. ACCRUED LIABILITIES

At March 31, 2018 and December 31, 2017, accrued liabilities consisted of the following:

	31-Mar-18	31-Dec-17
Salaries and payroll taxes	$ 5,763	$ 3,927
Advertising allowances and customer rebates	2,281	4,395
Sales, use and property taxes	397	336
Warranty, current	1,760	1,783
Management fees, related party	438	—
Professional services	347	637
Restructuring charges	73	162
Interest	9,902	3,994
Insurance reserves, current	1,994	1,880
Unearned revenue, current	1,933	1,953
Contingent consideration, net	1,077	1,080
Income taxes	565	1,001
Other	364	422
Total accrued liabilities	$ 26,894	$ 21,570

10. LONG-TERM DEBT

In connection with the Closing of the Merger (each as defined below), each of the instruments discussed below was terminated. In addition, in connection with the Acquisition (as defined below), Ply Gem Midco, Inc., our parent company following the Merger, entered into a new cash flow credit facility and asset-based lending facility and issued notes pursuant to a new indenture. See “Note 17 (Subsequent Events)” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further information.

Related Party Notes — In April 2014, the Company refinanced its long-term debt. The Company issued $305,000 of Senior Secured Notes to the Parent and paid its senior secured term loan facility in full. The Company paid $64,291 of its related party subordinated notes and transferred the balance of $50,000 to Holdings. All indebtedness has been consolidated for financial reporting purposes and is reported at the Company level. The fair value of the Company’s debt also approximates the carrying value. In connection with the Closing of the Merger, all outstanding Related Party Notes were redeemed.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

At March 31, 2018 and December 31, 2017, long-term debt consisted of the following:

	31-Mar-18	31-Dec-17
Senior Secured Notes, including net unamortized discount and deferred financing fees of $2,546 and $3,133 respectively	$ 302,454	$ 301,867
Related party notes, including paid-in-kind interest of $29,709 and $27,326 respectively	79,709	77,326
Other long term payable	48	50
Capital lease obligations	89	99
Total debt	382,300	379,342
Less current portion of long-term debt:		
Other long term payable	(10)	(10)
Capital lease obligations	(32)	(32)
Current portion of long-term debt	(42)	(42)
Long-term debt	$ 382,258	$ 379,300

Senior Secured Asset Based Revolving Credit Facility — The Company, its subsidiaries and the Parent entered into a Credit Agreement (the “ABL Credit Agreement”), dated December 27, 2016 (the “ABL Closing Date”), with certain financial institutions (the “ABL Lenders”), and Bank of America, N.A., as agent for the ABL Lenders (the “Agent”), in order to replace and refinance the Company’s prior ABL facility.

As of the ABL Closing Date, the aggregate borrowing limit under the Company’s new ABL facility (the “ABL Facility”) is $50,000, which includes a sub-facility available for the issuance of letters of credit up to $17,500. In connection with the entry into the ABL Credit Agreement, the existing ABL credit agreement, dated as of April 30, 2010, by and among the Company, Holdings, certain of the Company’s subsidiaries, the lenders party thereto and Antares Capital LP (as successor agent to General Electric Capital Corporation) (as amended, amended and restated, supplemented or otherwise modified prior to the ABL Closing Date) was terminated (along with all credit and security documents in connection therewith).

All of the Company’s domestic subsidiaries and certain of its Canadian subsidiaries are currently guarantors to the Company’s obligations under the ABL Facility. In addition, the Company’s obligations under the ABL Facility and the obligations of the guarantors under the guarantees is secured by a first-priority security interest in all accounts receivable, supporting obligations and other rights to payment, inventory, all documents, instruments and general intangibles (excluding intellectual property, except that the Agent will receive a non-exclusive, royalty free, worldwide license or sublicense to use all of the collateral securing the Senior Secured Notes constituting intellectual property in connection with the exercise of its rights and remedies as a secured party) relating to such accounts and inventory, deposit accounts and proceeds of the foregoing, in each case, of the Company and each guarantor, whether owned on the ABL Closing Date or thereafter acquired.

The ABL Facility matures on the earlier of December 27, 2021 or 90 days prior to the maturity or early termination of certain material indebtedness.

All borrowings by the Company or its subsidiaries under the ABL Facility are limited by availability under a borrowing base, which is an amount equal to the sum of: (i) 85% of the face amount of eligible accounts receivable (net of certain claimed returns, rebates, discounts, credits, allowances or taxes) and (ii) the lesser of (a) 75% of the value of eligible inventory and (b) 85% of the net orderly liquidation value of eligible inventory, subject, in each case, to reserves and discounted to reflect appraisal valuations.

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

At the Company’s option, borrowings under the ABL Facility bear interest at a fluctuating rate equal to LIBOR plus 2.25% or Base Rate plus 1.25%; provided, that the fluctuating rate of interest is reduced, in each case, by 0.25% if the average daily availability as a percentage of total commitments (the “Average Availability Percentage”) is at least 33% and is further reduced, in each case, by 0.25% if the Average Availability Percentage is at least 66%. Under the ABL Credit Agreement, “Base Rate” is equal to the greatest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.50%, or (iii) LIBOR plus 1.00%. The interest rate was 5.75% and 5.50% as of March 31, 2018 and December 31, 2017, respectively.

The Company is required to pay certain fees and expenses in connection with the ABL Facility, including an unused commitment fee on the average daily amount of the unused portion of the ABL Facility at a rate of 0.375% per annum, payable quarterly in arrears on the first day of each calendar quarter; provided that the rate of the unused commitment fee shall be reduced to 0.25% if the Average Availability Percentage was at least 50% during the applicable quarter.

The Company is required to comply with various representations and affirmative and negative covenants, in each case as more fully set forth in the ABL Credit Agreement and related loan documents. If the borrowing base does not exceed the sum of the borrowings and letters of credit issued by at least $5,000, the Company is required to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 measured as of the last day of each month for the most recent period for which financial statements were delivered under the ABL Credit Agreement; provided that once the fixed charge coverage ratio has been tested, it shall continue to be tested until the borrowing base exceeds the sum of the borrowings and letters of credit issued by at least $5,000 for 30 consecutive days. At March 31, 2018, the Company had $5,693 outstanding letter of credit.

The ABL Credit Agreement contains customary events of default. Upon the occurrence of an event of default under the ABL Credit Agreement, the Agent may (and shall at the request of the Required Lenders) terminate the revolving commitments, accelerate the outstanding obligations and exercise remedies with respect to the collateral. Additionally, unless a payment event of default or bankruptcy or insolvency event of default has occurred and is continuing (in which case the such increases shall be automatic), while any event of default exists under the ABL Facility, either the Agent or the ABL Lenders holding a majority of the revolving commitments and outstanding loans and letter of credit obligations may increase the applicable interest rate on outstanding obligations by 2.00% per annum.

The ABL Facility is required to be classified as short-term due to the lockbox arrangement and subjective acceleration clause and future payments shown in date of maturity. As of March 31, 2018 and December 31, 2017, there were no outstanding borrowings under the ABL Facility.

In connection with the Closing of the Merger, all obligations under the ABL facility were repaid and the ABL Credit Agreement was terminated.

Senior Secured Notes due 2019 — In April 2014, the Company issued $305,000 Senior Secured Notes bearing 7.75% interest under Rule 144A of the Securities Act at a 1.4% discount, yielding proceeds of $300,651. The Senior Secured Notes mature on May 1, 2019, with interest due on May 1 and November 1 of each year, commencing November 1, 2014.

The Senior Secured Notes are guaranteed by the Company, all of the Company’s existing and future wholly owned domestic subsidiaries (other than the Subsidiary and subject to certain exceptions) and its Canadian subsidiaries. The Senior Secured Notes are secured on a first-priority basis by substantially all the present and after-acquired tangible and intangible assets of the guarantors, other than the collateral of the ABL Credit Facility, for which the notes are secured on a second-priority basis.

The indenture governing the Senior Secured Notes requires the Company to comply with certain covenants, including restrictions on dividends, incurring additional debt, asset sales and transactions with

F-215

(Dollars in thousands, except share amounts)

affiliates. In addition, the indenture governing the Senior Secured Notes contains customary events of default, including payment defaults, breaches of representation and warranties, change of control and bankruptcy and insolvency. However, there are no required financial maintenance covenants. The Company was in compliance with all applicable covenants at March 31, 2018. The fair value of the Company's debt also approximates the carrying value.

In connection with the Closing of the Merger, all outstanding Senior Secured Notes were redeemed and the indenture governing the Senior Secured Notes was terminated.

Warrant Agreement — In December 2011, the Company issued 114,985 warrants for common stock to affiliates of Golden Gate in connection with the issuance of preferred shares. The warrants permit Golden Gate to purchase shares of the Company's common stock, on a one-for-one basis, for an exercise price of $0.01 per share. The warrants were exercisable upon issuance and can be exercised over a ten year period from the issuance date and automatically exercise on the last day of the exercise period if they are not exercised prior to that date. The warrants were outstanding and exercisable as of March 31, 2018.

In connection with the refinancing in April 2014, the Company entered into a Warrant Agreement (the "Warrant Agreement") with affiliates of Golden Gate. Under the terms of the Warrant Agreement, the Company issued 237,475 warrants on common stock and 35,722 warrants on preferred stock to GGC Finance Partnership, L.P. The warrants permit Golden Gate to purchase shares of the Company's common stock, on a one-for-one basis, for an exercise price of $0.01 per share. The Warrants, which are currently exercisable and expire ten years after issuance, represent 10.0% of the Company's common and preferred stock on a fully diluted basis (including the shares issuable upon exercise of the Warrants and excluding certain out-of-the-money stock options) as of the date of the issuance. The warrants are exercisable immediately; the number of shares and exercise price are subject to customary anti-dilution protection. The fair value of the warrants was determined to be $15,242 as of the date of issuance and was recorded as additional paid-in capital with a corresponding discount to the carrying value of the Related Party Notes. For each of the three months ended March 31, 2018 and 2017, there was no of warrant amortization recognized as interest expense. There was no remaining unamortized discount as of March 31, 2018 and December 31, 2017.

In connection with the closing of the Merger, all outstanding Warrants were redeemed and the Warrant Agreement was terminated.

As of March 31, 2018, future principal payments due under long-term debt, including capital leases with initial or remaining terms greater than twelve months and obligations included in Discontinued Operations (Note 14), are scheduled as follows:

April 2018 – March 2019	$	1,282
April 2019 – March 2020		385,488
April 2020 – March 2021		21
April 2021 – March 2022		7
Total	$	386,798

Guarantors — The Company and all its subsidiaries serve as guarantors for the ABL Facility and the Senior Secured Notes.

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

11. RELATED PARTIES

Stockholders Agreement — The Company is party to a stockholders agreement, dated as of April 30, 2010, as well as various other stockholders of the Company who have joined the Stockholders Agreement by execution of a joinder agreement. Each of the members of the Company's board of directors has been designated in accordance with the terms of the Stockholders Agreement.

The Stockholders Agreement contains customary terms, including terms regarding transfer restrictions, rights of first offer, tag-along rights, drag-along rights and preemptive rights with respect to the Company's capital stock.

In connection with the 2017 acquisition of Tru Bilt (as defined below), the Company received $8,499 of proceeds from issuance of Series B Preferred Stock. GGC BP Intermediate Holdings, LLC purchased 9,571 shares and KWC Holdings L.P. purchases 2,570 shares of Series B Preferred Stock with a $0.01 par value.

Management Advisory Agreements — The Company has entered into separate advisory agreements with each of GGC Administration, LLC ("GGC"), an affiliate of Golden Gate, and Kenner (the "Advisory Agreements"). Pursuant to the Advisory Agreements, GGC and Kenner have each agreed to perform certain services for the Company and its subsidiaries that may include, but are not limited to:

- general executive and management services;
- identification, support, negotiation and analysis of acquisitions and dispositions by the Company;
- support, negotiation and analysis of financing alternatives, including, without limitation, in connection with acquisitions, capital expenditures and refinancing of existing indebtedness;
- marketing functions, including monitoring of marketing plans and strategies;
- human resources functions, including searching and hiring of executives; and
- other services for the Company upon which the Company's board of directors and GGC and/or Kenner agree in writing.

Pursuant to the Advisory Agreements, GGC and Kenner will divide an annual fee equal to the greater of (i) $1,750 or (ii) 3% of the Company's EBITDA, based on a definition thereof described in the Advisory Agreements, and will also be reimbursed for reasonable expenses. Payment of the annual fee under the Advisory Agreements is subject to the terms of the Company's credit and financing arrangements. The Company recognized expense for advisory fees of $438 for the three months ended March 31, 2018 and 2017 to GGC and Kenner. At March 31, 2018 and December 31, 2017, accruals of $438 and $0, respectively, were included in accrued liabilities in the condensed consolidated balance sheets.

In addition, under the Advisory Agreements, GGC and Kenner will divide additional transaction fees that will be paid upon the consummation of any future change of control, acquisition, divestiture, recapitalization or financing or other similar transaction by or involving the Company in an amount equal to 1.0% of the aggregate value of such transaction. The applicable transaction fee will be divided between GGC and Kenner based on a formula described in the Advisory Agreements. At each of March 31, 2018 and December 31, 2017, no accrual was included in accounts payable in the condensed consolidated balance sheets.

Indemnification Agreements — The Company has entered into indemnification agreements with various members of senior management and the board of directors, pursuant to which the Company and the Parent will indemnify them if any of them becomes a party to or other participant in any threatened, pending or completed action, suit or proceeding relating to the fact that such person is or was a director, officer, employee, agent or fiduciary of the Company.

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

Senior Secured Notes — A subsidiary of Golden Gate purchased $40,000 of Senior Secured Notes issued by the Company in April 2014. At March 31, 2018 and December 31, 2017, the accrued interest on the subsidiary's portion of the bonds was $1,292 and $517, respectively.

12. FEDERAL INCOME TAXES

Under FASB ASC 740-270, Income Taxes — Interim Reporting, each interim period is considered an integral part of the annual period and tax expense is measured using an estimated annual effective rate. Estimates of the annual effective tax rate at the end of interim periods are, of necessity, based on evaluation of possible future events and transactions and may be subject to subsequent refinement or revision. The Company calculates its quarterly tax provision consistent with the guidance provided by ASC 740-270, whereby the Company forecasts its estimated annual effective tax rate then applies that rate to its year-to-date pre-tax book income (loss). In addition, jurisdictions with a projected loss for the year or the year-to-date loss where we cannot recognize a tax benefit are excluded from our estimated annual effective tax. The impact of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections. In addition to the tax resulting from applying the estimated annual effective tax rate to pre-tax income (loss), the Company includes certain items treated as discrete events to arrive at an estimated effective tax rate. Future changes in the forecasted annual income (loss) projections, tax rate changes, or discrete tax items could result in significant adjustments to quarterly income tax expense (benefit) in future periods.

For the three months ended March 31, 2018, the Company's estimated effective income tax rate was approximately 11%, which varied from the statutory rate primarily due to state income tax expense, valuation allowance, and foreign income taxes. The tax benefit for the three months ended March 31, 2018 was $464 and the tax expense for the three months ended March 31, 2017 was $120.

At March 31, 2018 and December 31, 2017, the Company had net operating loss carry-forwards of $554,332 and $548,771, respectively, of which $256,891 is restricted for both periods. The carry-forwards begin to expire in 2019. The ultimate utilization of the net operating loss carry-forwards will depend on future financial performance and will be subject to an annual limitation.

The Company has generated significant deferred tax assets with the majority due to its historic tax losses. The Company evaluated its deferred tax assets to determine whether a valuation allowance is required based on a determination of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company concluded that there exists significant negative evidence in considering whether deferred tax assets are realizable. Therefore, the Company's valuation allowance is against approximately all of its net deferred tax assets. The Company excluded the deferred tax liabilities related to certain indefinite lived intangibles when calculating the amount of valuation allowance needed as these liabilities cannot be considered as a source of income when determining the realizability of the net deferred tax assets. The valuation allowance was recorded as a reduction to income tax benefit.

The deferred tax assets for which there is no valuation allowance relate to amounts that can be realized through future reversals of existing taxable temporary differences or through the generation of sufficient taxable income. To the extent the Company generates sufficient taxable income in the future to fully utilize the tax benefits of the net deferred tax assets on which a valuation allowance was recorded, the Company's effective tax rate may decrease as the valuation allowance is reversed.

The Tax Act was signed into law on December 22, 2017. The Tax Act significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%, eliminating certain deductions, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax. As a result of these changes, the corporation has provided for

repricing of their domestic deferred
F-218

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

taxes and valuation allowance at the new tax rate. The Company is still evaluating any impacts of the law changes on their accrued liabilities and differences that arise in temporary adjustments, such as fixed assets and carryforward attributes. The Company has evaluated the new mandatory repatriated earnings tax of its foreign subsidiaries, and does not believe that it needs any further accrual as related to this aspect of the law change, however, as further analysis is completed on the foreign earnings and utilizing additional guidance from the IRS, the Company may make adjustments as it becomes reasonably determined in accordance with SAB 118. Given the Company's historical loss position, any income tax expense adjustments associated with additional repatriation would be immaterial.

13. COMMITMENTS AND CONTINGENCIES

Leases — The Company has entered into operating lease agreements for office and manufacturing space, vehicles, machinery and equipment. Total rent expense for continuing operations for the three months ended March 31, 2018 and 2017 was $1,754 and $1,596, respectively. Total rent expense for discontinued operations for the three months ended March 31, 2018 and 2017 was $163 and $2, respectively.

At March 31, 2018, future minimum rents due under leases with initial or remaining terms greater than twelve months were as follows:

	Capital Leases	Operating Leases: Vehicle, Office and Warehouse Equipment	Operating Leases: Facility and Real Property	Total
Apr 2018 – Mar 2019	$ 32	$ 748	$ 5,575	$ 6,355
Apr 2019 – Mar 2020	29	577	5,418	6,024
Apr 2020 – Mar 2021	21	472	5,132	5,625
Apr 2021 – Mar 2022	7	434	3,901	4,342
Apr 2022 – Mar 2023	—	433	1,659	2,092
Thereafter	—	1,021	7,568	8,589
Total	$ 89	$ 3,685	$ 29,253	$ 33,027

Certain lease agreements provide for increased payments based on changes in the consumer price index. Additionally, the Company is obligated to pay insurance and taxes under certain lease agreements.

The Company has sublease agreements on leased properties which provided for $234 and $297 in sublease income for the three months ended March 31, 2018 and 2017, respectively. Future minimum rents to be received for the annual periods ended March 31, 2019, 2020, 2021, and 2022 are $884, $890, $835 and $459, respectively.

Transportation Purchase Commitment — The Company has a dedicated contract service agreement with a transportation provider for our North Carolina window and extrusion plants that requires the Company to meet a minimum annual purchase commitment of 5.0 million miles per year through the term of the contract which ends October 2, 2018. The Company did not satisfy the commitment in 2017 and paid a $79 penalty.

PVC Supply Contract — The Company has a contract to purchase PVC compound to use in the manufacturing process. The contract requires a minimum annual commitment of 27 million pounds through 2023 at floating prices adjusted monthly by industry published resin indexes. In the event minimum compound is not achieved, there is a penalty based on remaining pounds over the life of the contract multiplied by the last twelve month average cost plus 7.5 cents per lb. then multiplied by a 10% profit margin. The Company expects to achieve this commitment.

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

Glass Contract — The Company has a contract with a glass supplier for substantially all United States glass purchases through December 31, 2018 that requires the purchase of all rack lot glass and customer tempered glass, with the exclusion of some defined division specific product needs, from the supplier at agreed fixed pricing.

Aluminum Supply Contract — The Company entered into a supply agreement with an aluminum extrusion supplier in August, 2016 in connection with the sale of the Company's aluminum extrusion division to that supplier. Under the terms of the supply agreement, the Company agreed to purchase all aluminum profiles that had previously been supplied to the Company's U.S. window and door plants by the aluminum extrusion division. There are no minimum volume commitments in the agreement.

Capital Purchase Commitment — The Company entered into a purchase commitment in 2017 for six intercept building machines for their glass production operations with payment due for each machine upon delivery through March 2020. The purchase commitment includes remaining payments of $284, $800 and $267 in 2018, 2019 and 2020, respectively.

Environmental — From time to time, the Company is involved in investigation and cleanup related to environmental matters associated with its manufacturing operations. In addition, the Company has applied for a municipal setting designation with regard to its former Wylie, Texas facility per the terms of the sale of that facility in 2016. While the potential costs related to such matters and their possible impact on future operations are uncertain due in part to: the uncertainty as to the extent of pollution, the complexity of applicable government laws and regulations and their interpretations, the varying costs and effectiveness of alternative cleanup technologies and methods, the uncertain level of insurance or other types of recovery and the extent of the Company's involvement, in the opinion of management, none of these matters are expected to have a material adverse effect on the condensed consolidated financial position, results of operations or cash flows of the Company.

Litigation — The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. Applicable accounting guidance requires the Company to accrue a liability if it is probable that the liability has been incurred and the amount of that liability can be reasonably estimated. At March 31, 2018, the Company has $380 accrued for loss contingencies arising from cases against the Company, included in other long-term liabilities on the Company's condensed consolidated balance sheet. Management believes the payment of these contingencies is probable and the accrual amount was estimated based on discussion with legal counsel and the review of similar historical cases. The accruals are adjusted as needed as additional information is received, but the actual loss to be incurred may be significantly greater than or less than the amount presently accrued.

In the opinion of management, all other claims and legal matters, including employee and product defect cases, are without merit or are of such kind, or involve such amounts, that an unfavorable disposition would not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Self-Insured Risks — The Company maintains a broad range of insurance policies which include employee health, general liability, vehicle, and workers compensation insurance coverage. These insurance policies protect the Company against a portion of the risk of loss from claims. However, the Company retains a portion of the overall risk for such claims through its self-insured per occurrence and aggregate retentions, deductibles and claims in excess of available insurance policy limits. The Company's insurance coverage is generally subject to a per occurrence retention.

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

The Company reserves for costs associated with claims, as well as incurred but not reported losses, based on an outside actuarial analysis of its historical workers' compensation related matters. These estimates make up a significant portion of the Company's liability and are subject to a high degree of uncertainty due to a variety of factors, including changes in type of claims, claims reporting and resolution patterns, frequency and timing of claims, third party recoveries, estimates of claim values, claims management expenses (including legal and expert fees), insurance industry practices, the regulatory environment and legal precedent. Adjustments to reserves are recorded in the period in which the change in estimate occurs. As of March 31, 2018 and December 31, 2017, the liabilities for self-insurance reserves are included in accrued liabilities of $1,994 and $1,880 and other long-term liabilities of $3,087 and $3,087, respectively, of which $1,143 and $1,143, respectively, are recoverable under third party insurance policies and included in Other Assets on the Company's condensed consolidated balance sheet.

14. DISCONTINUED OPERATIONS

In 2016, the Company sold the window and door facilities located in Denver, Colorado and Yakima, Washington to a private investment group and sold its aluminum extrusion business, Extruders, located in Texas to Tower Extrusions, LTD. The proceeds of the transactions were used to pay down the borrowings under the ABL Facility.

Term Note — In 2014, prior to the decision to exit the aluminum extrusion business, the Company entered into an asset purchase agreement (the "Lippert Purchase Agreement") with Lippert. Pursuant to the Lippert Purchase Agreement, the Company agreed to purchase certain of Lippert's fixed assets for $7,500, of which $2,000 was paid in 2014. The discount on the related term note was 1.96%, or $147. As of December 31, 2017, the remaining balance on the term note had been paid.

In connection with the purchase, a six year aluminum extrusion supply agreement was executed with the Company as the supplier and Lippert as the buyer. To the extent more than 95 million pounds of extruded aluminum are purchased by Lippert, the Company is required to pay an additional $1,250 of purchase price.

The supply agreement requires minimum purchases from the Company by Lippert for six years beginning in 2015. To the extent that either the Company fails to produce or Lippert fails to purchase the minimum volume requirements, the party at fault will be monetarily penalized. In 2015, both parties agreed to modify the agreement to suspend minimum volume requirements for 2015.

On July 8, 2015, the Company terminated its extrusion supply agreement with Lippert. As amended, the Company has agreed to pay Lippert an additional $2,000, comprised of $1,250 in 2018 and $750 in 2019, in addition to amounts previously owed. In the event of a change in control of the Company prior to December 31, 2017, the aggregate amount payable would decrease by $150.

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

The following table presents the carrying amounts of the major classes of assets and liabilities of discontinued operations as of March 31, 2018 and December 31, 2017:

	31-Mar-18	31-Dec-17
Assets:		
Accounts receivable, net	$ —	$ 15
Prepaid expenses and other current assets	48	48
Assets of discontinued operations	$ 48	$ 63
Liabilities:		
Current portion of long-term debt	$ 1,250	$ 1,250
Accounts payable	4	20
Accrued liabilities	426	500
Liabilities of discontinued operations	1,680	1,770
Long-term debt, net of current	728	722
Long-term liabilities of discontinued operations	728	722
Liabilities of discontinued operations	$ 2,408	$ 2,492

The operating results of the discontinued operations, including results from qualifying assets held-for-sale, for the three months ended March 31, 2018 and 2017 are summarized below:

	For the Three Months Ended	
	31-Mar-18	31-Mar-17
Net sales	$ —	$ —
Loss before income taxes	$ (436)	$ (241)
Income tax expense	—	—
Loss from discontinued operations	$ (436)	$ (241)
Depreciation	$ —	$ —
Amortization	$ —	$ —

15. BUSINESS COMBINATION

On March 13, 2017, the Company entered into an Asset Purchase Agreement with TRU TECH DOORS, a corporation incorporated under the laws of the Province of Ontario (the “Seller”), pursuant to which it will purchase the Seller’s business relating to the sales, marketing, distribution, and manufacturing of entry door systems, together with all the assets related to the business (the acquired business and operations is herin referred to as “Tru Bilt”). The purchase price was approximately $9,036 or $12,000 Canadian Dollars which was funded through the initial issuance of equity of $6,700 and cash from operations. In June 2017, $1,799 of equity was issued in connection with the acquisitions. The Seller continues to be a supplier to the Company subsequent to the transaction.

TABLE OF CONTENTS
ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

The purchase price allocations to assets and liabilities on their estimated fair values as of the purchase date are as follows:

Present value of purchase price:	
Cash paid	$ 9,036
Total purchase price	$ 9,036
Fair value of assets acquired:	
Working capital	$ 75
Fixed assets	591
Customer relationships	4,518
Trade name	580
Goodwill	3,272
Total fair value of assets acquired	$ 9,036

On December 31, 2016, the Company entered into an asset purchase agreement with Brock Doors and Windows Inc., a corporation incorporated under the laws of the Province of Ontario ("Brock"), pursuant to which it purchased Brock's business relating to the sales, marketing, distribution, manufacturing and installation of windows and doors, including entry, patio and garage doors, together with all the assets related to the business. The purchase price was approximately $8,905. The Company paid cash at close of $6,703, which was funded through a $7,000 equity contribution and maximum contingent consideration of $3,000 Canadian Dollars due in installments of $1,500 Canadian Dollars at each December 31, 2017 and 2018. The fair value of this contingent consideration was $1,882 as of December 31, 2016. As part of the transaction, a net working capital threshold of $250 Canadian Dollars was established. The Company settled the working capital adjustment for $430 Canadian Dollars in April 2017.
This contingent consideration is payable in Canadian Dollars and is dependent on certain business infrastructure improvements and continued employment, which the Company deems probable. The financial statements adjust the contingent payable at the reporting period date using the applicable spot rate and will continue to do so with charges being reflected in Other expense in the Company's condensed consolidated statement of operations and comprehensive loss over the next two years. The amounts were discounted using Atrium's Weighted Average Cost of Capital.

16. LIQUIDITY

As of March 31, 2018, the Company had $12,288 of borrowing availability under its financing agreements. Liquidity is impacted by the seasonality of the business and routinely decreases after year-end due to winter and spring weather. The Company believes it will have sufficient liquidity through borrowing availability, available cash and cash flows from operating activities to fund its cash requirements for existing operations and capital expenditures through the next twelve months.
During 2017 and 2016, the Company has continued to implement several initiatives to improve liquidity and maximize profitability. The primary focus has been operational improvements, including the reduction of headcount and corporate and divisional general and administrative costs.

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018 AND MARCH 31, 2017
(Dollars in thousands, except share amounts)
(Unaudited)

17. SUBSEQUENT EVENTS

On January 31, 2018, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”), by and among the Company, Pisces Parent, LLC (“Pisces Parent”), CD&R Atlas Merger Sub, Inc., a wholly owned subsidiary of Pisces Parent (“Merger Sub”) and Holdings, solely in the capacity as representative of certain the equityholders of the Company. Pisces Parent is affiliated with Clayton, Dubilier & Rice. Pursuant to the Merger Agreement, subject to the satisfaction or waiver of specified conditions, Merger Sub merged with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly-owned subsidiary of Ply Gem Midco, Inc. (formerly known as Pisces Midco, Inc.), a wholly owned subsidiary of Pisces Parent. Also in connection with the closing of the Merger, the Company sold each of North Star Manufacturing (London), Ltd. and Brock, directly to Pisces Parent. On April 12, 2018, the Merger closed and each of the Company’s issued and outstanding shares of preferred and common stock were cancelled and extinguished and converted into the right to receive a portion of the common units of Pisces Parent, pursuant to a distribution waterfall.

In connection with the Merger, the Company’s previous debt instruments were terminated. In addition, in connection with the Acquisition, Ply Gem Midco, Inc. entered into a new cash flow credit facility and asset-based lending facility and issued notes pursuant to a new indenture. The Company’s future financial performance will be consolidated within Ply Gem Midco, Inc. from the date of the Merger.

Subsequent events have been evaluated through July 13, 2018, which is the date of the financial statements were available to be issued.

TABLE OF CONTENTS

ATRIUM CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in thousands)

Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are "forward-looking statements". See "Special Note Regarding Forward-Looking Statements." As used in this Quarterly Report, the "Company", "we", "us", and "our" refer to Atrium Corporation and Subsidiaries, except where the context otherwise requires or as otherwise indicated.

Overview

We are a leading manufacturer of vinyl and aluminum windows and patio doors for the residential new construction and repair and remodeling ("R&R") markets serving customers throughout central and eastern United States and Canada. Since 1948, we have focused on providing our customers with a comprehensive line of high-quality products, including custom products, at compelling values while delivering superior service. Our scale and regional prominence, combined with our ability to satisfy unique product requirements of national, regional and local customers, creates significant competitive advantages versus many of our competitors. In addition, our vertical integration enables us to enhance our margins and drive operating leverage. We believe these factors will allow us to implement our growth strategy as well as capture maximum benefit from a recovering housing market. Our revenue mix is diversified by end-market and channel, as well as geographically with a clear "good, better, best" product portfolio.

In recent years, management has focused on restructuring and optimizing the business and repositioning the Company to maximize profitability and drive future growth.

- Growing the business. The Company participates in attractive end markets providing for growth opportunity in the improving new construction market with housing starts expected to continue recent growth along with the repair and remodeling market where the Company has outpaced market growth largely through share gains. The Company is focused on providing high quality products and excellent customer service to drive this increased business, thereby increasing market share. During the three months ended March 31, 2018, approximately 49% of our total sales were in new construction and 51% were in R&R sales.

- Quality and service improvements. The Company believes providing quality products and excellent customer service are key elements to driving growth throughout the organization. Key initiatives include driving industry leading quality and service metrics, simplifying the production environment including product offerings and facility layout changes and focusing on quality and service at an employee level throughout the organization. We have expanded our footprint for shipping, adjusted the glass department layout and moved all window assembly lines into a single facility in our largest plant, North Carolina. Other similar changes are occurring in our other plants.

- Expanding production capability. The Company believes we have sufficient capacity to support our growth initiatives. As part of this, we are focused on driving production efficiency throughout the organization including implementing various lean initiatives. The facility and product changes are expected to drive increased capacity. We also have the ability to expand production capability through increase in production shifts and capital spending to create more glass and assembly equipment across our plants to the extent we believe growth supports such investments.

- Cost reduction and margin improvement initiatives. As the residential building market rebounds, we have been able to announce price increases to offset increases in the prices of raw material commodities we have received from our suppliers. We have been able to secure commodity pricing contracts with our United States glass supplier through 2018 and our Canadian glass supplier through 2018. We have extended our PVC supplier contract with reduced rates to offset expected increases in the Chemical Data Inc. price index. The Company continually evaluates its fixed cost structure including selling, general and administrative expense and makes adjustments as deemed appropriate to drive enhanced profitability.

TABLE OF CONTENTS
The Company has made strategic decisions to exit certain businesses allowing focus on larger and more profitable businesses. Operational improvements have also been a focus, including the reduction of headcount and corporate and divisional general and administrative costs.
Factors Affecting Our Results of Operations
Our results of operations are affected by a number of external factors, including conditions in the home building and home improvements industries, raw material prices, and seasonality. Some of the more important factors are discussed briefly below.
Conditions in the Homebuilding and Home Improvement Industries
Our sales have historically been driven by the level of residential new construction, home improvement and R&R activities, which are dependent upon a number of factors including demographic trends, interest rates, home values, consumer confidence, employment rates, foreclosure rates, building material costs and the health of the economy and mortgage markets. The home building and home improvement industries began to stabilize in late 2011 and have since grown steadily.
Approximately 49% and 51% of our total sales were related to residential new construction for the three months ended March 31, 2018, and 2017, respectively. According to the National Association of Home Builders (NAHB), annualized single-family housing starts in the United States as of December 31, 2017 are estimated to be 851,000. According to an NAHB estimate, residential new construction, including total housing starts, is forecasted to continue to grow progressively through the foreseeable future.
Changes in Prices of Raw Materials
Raw materials used in the manufacture of our products make up a significant portion of our cost of goods sold and made up 36.6% and 37.4% of our net revenue for the three months ended March 31, 2018 and 2017, respectively. The principal raw materials we use are vinyl, glass and aluminum. The prices of many of the raw materials that we use in our manufacturing processes are subject to significant price volatility. We actively seek to manage the risk of fluctuating raw material prices through leveraging long-term supply relationships and strategic sourcing programs. Historically, our industry has passed through increases in raw material prices to consumers, and we expect to be able to do the same in the future. To the extent we cannot pass on additional cost increases, we will experience a negative impact on the business. Vinyl and glass prices have trended higher, but these increases have been offset by price increases. Fluctuations in the price and availability of raw materials and other resources could have a material adverse effect on our business, results of operations and financial condition. Increases in fuel and energy costs could also adversely affect our results of operations and financial condition.
Seasonality
Our industry experiences seasonal changes in demand, with higher demand from April through November each year. We manage our staffing levels to match these seasonal demand variances. We increase our staffing as required each spring as our busier months begin. With the exception of our North Texas region, the seasonal impact is felt across our geographies where inclement weather during the winter months usually reduces the level of residential new construction and R&R activity. To the extent higher demand occurs during a compressed period within our peak season, there is a risk of us experiencing operational challenges and losing efficiency.
End Markets
For the three months ended March 31, 2018 and 2017, R&R products represented approximately 51% and 49% of our total sales, respectively, while new construction products represented 49% and 51% of our total sales, respectively. We typically realize higher price points and gross margins on R&R products, which require more engineering and customization. As part of our strategy, we are focused on driving activity for recent product launches which generate attractive margins, and we expect the volume of R&R products to increase over the next few years. As our volume of R&R product sales increases, we expect our product mix to shift and our overall margins to improve.

TABLE OF CONTENTS

Primary Components of Revenue and Expenses

Net Sales

We primarily generate revenue from the sale of vinyl windows and patio doors, aluminum windows and entry doors. Our products are sold through our sales force to distributors, retailers and builders and we also have retail sales to the end consumer in Canada. We recognize revenue at the time products are delivered. Revenues are recorded net of advertising allowances, discounts and volume rebates.

Cost of Goods Sold

Cost of goods sold presents the costs directly related to the manufacturing of our products and primarily includes raw materials, contract manufacturing fees, warehousing, depreciation, direct and indirect labor and operating costs for our manufacturing facilities, including salaries, benefit costs and incentive compensation. The costs associated with developing and designing new products are expensed as incurred and include design, production and testing.

Selling, Delivery, General and Administrative Expenses

Our delivery costs consist of all costs related to delivering manufactured product to our customers, including labor, fuel, maintenance and freight and handling expenditures. Our selling, general and administrative expenses consist of all expenditures incurred in connection with the sales and marketing of our products, as well as administrative overhead costs.

Results of Operations

The following table sets forth information derived from the condensed consolidated statements of operations expressed in dollars and as percentage of net sales for the three months ended March 31, 2018 and 2017.

	(Unaudited)			
	31-Mar-18		31-Mar-17	
NET SALES	$ 72,369	100.0%	$ 69,465	100.0%
COST OF GOODS SOLD	50,873	70.3%	49,304	71.0%
Gross profit	21,496	29.7%	20,161	29.0%
OPERATING EXPENSES:				
Selling, delivery, general and administrative expenses	16,694	23.1%	16,499	23.8%
Amortization expense	1,722	2.4%	1,588	2.3%
Total selling, delivery, general and administrative expenses	18,416	25.4%	18,087	26.0%
Gain on disposal of assets	—	0.0%	(201)	-0.3%
Total operating expenses	18,416	25.4%	17,886	25.7%
OPERATING INCOME FROM CONTINUING OPERATIONS	3,080	4.3%	2,275	3.3%
Interest expense	9,050	12.5%	8,852	12.7%
Other expense, net	61	0.1%	64	0.1%
LOSS FROM CONTINUING OPERATIONS				
BEFORE INCOME TAXES	(6,031)	-8.3%	(6,641)	-9.6%
Income tax (benefit) expense	(464)	-0.6%	120	0.2%
LOSS FROM CONTINUING OPERATIONS	(5,567)	-7.7%	(6,761)	-9.7%
Loss from discontinued operations, net of tax	(436)	-0.6%	(241)	-0.3%
NET LOSS	(6,003)	-8.3%	(7,002)	-10.1%

TABLE OF CONTENTS

Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017

Net sales. Net sales increased by $2,904, or 4.2%, from $69,465 in 2017 to $72,369 in 2018. The increase was driven by organic sales growth of $2,039 or 3.0% and growth from acquisitions of $865 or 1.2%. Organic sales growth was driven by a $2,628 increase in Canada where recent double digit local currency sales growth trends have continued amidst improved market conditions from the recently announced tax rebate available in Ontario, Canada. Sales in the United States were flat, though were negatively impacted by weather conditions that delayed volume into the second quarter of 2018.

Cost of goods sold and gross profit margin. Cost of goods sold increased by $1,569, or 3.2%, from $49,304 during 2017 to $50,873 during 2018, and decreased as a percentage of net sales from 71.0% during 2017 to 70.3% during 2018. As a result, our gross profit margin increased from 29.0% in 2017 to 29.7% in 2018. The improvement in gross profit margin was driven by increased pricing to customers in excess of raw material commodity costs combined with operational improvements. The acquisitions of Brock and Tru Bilt provided incremental margin in the quarter, ended March 31, 2018, relative to the same period in 2017.

Selling, delivery, general and administrative expenses. Selling, delivery, general and administrative expenses increased $195, or 1.2%, from $16,499 in 2017 to $16,694 in 2018, and decreased as a percentage of net sales, by 0.7% from 2017 to 2018. The expense increase was driven by costs incurred by the acquisitions of Brock and Tru Bilt of $387 and an increase in delivery expense of $258 related to the increased sales, offset by reductions in general and administrative expenses and other fixed costs. The improvement in selling, delivery, general and administrative expense as a percentage of sales was driven by recent cost reduction initiatives.

Amortization expense. Amortization expense increased from $1,588 in 2017 to $1,722 in 2018, or 8.4%, due to the acquisitions of Brock and Tru Bilt.

Interest expense. Interest expense increased slightly from $8,852, in 2017 to $9,050 in 2018, or 2.2%, reflecting interest accrued on higher related party note outstanding.

Other expense. Other expense was $64 expense in 2017 and $61 in 2018. The majority of the other expense was franchise taxes in both periods.

Provision (benefit) for income taxes. The provision (benefit) for income taxes is based on pre-tax income as reported for consolidated financial statement purposes. We recorded tax benefit of $464 for the three months ended March 31, 2018 and a tax expense of $120 for the three months ended March 31, 2017.

Adjusted EBITDA

The following table presents a reconciliation of net loss to Adjusted EBITDA for the three months ended March 31, 2018 and 2017:

	For the Three Months Ended	
	31-Mar-18	31-Mar-17
Net loss	$ (6,003)	$ (7,002)
Interest	9,077	8,861
Taxes	(464)	120
Depreciation and amortization	3,361	3,207
Reported EBITDA	$ 5,971	$ 5,186
Discontinued Operations(a)	409	233
Transaction, Management and Board fees(b)	831	811
Restructuring/Severance Expenses(c)	—	714
Foreign Currency and Asset Sale (Gain)/Loss(d)	(64)	(133)
Other(e)	132	171
Adjusted EBITDA	$ 7,279	$ 6,982
Pro Forma Impact of G&A Restructuring and acquisitions(f)	—	492

Impact of Extrusion Insourcing and Contracted Resin Savings(g)	274	524
Pro Forma Adjustments	$ 274	$ 1,016
Pro Forma Adjusted EBITDA	$ 7,553	$ 7,998

TABLE OF CONTENTS

The above table does not reflect all addbacks permitted in the indenture for the calculation of consolidated adjusted EBITDA. Addbacks for pro forma general and administrative savings, recent acquisitions and the impact of extrusion insourcing and contracted resin savings are not reflected here.

(a)
Represents amounts related to the discontinued operations.

(b)
Represents (i) sponsor management fees of $437 in 2018 and 2017, (ii) Board Fees and Expenses of $133 and $285 in 2018 and 2017 and (iii) professional fees paid in conjunction with debt refinancing, divestitures and acquisitions of $261 and $89 in 2018 and 2017, respectively.

(c)
Represents (i) severance payments, (ii) facility closure expenses and (iii) product line rationalization expenses.

(d)
Represents (gains) and losses relating to transactions in foreign currencies and divestitures of facilities, divisions and other non-operating assets.

(e)
Represents (i) franchise taxes of $132 and $68 in 2018 and 2017, respectively, and (ii) other non-recurring expenses of $103 in 2017.

(f)
Represents (i) salary savings associated with the restructuring of the general and administrative function and (ii) the estimated impact on adjusted EBITDA related to the acquisition of Tru Bilt.

(g)
Represents contracted savings negotiated with Atrium’s largest resin supplier and in-sourcing vinyl extrusions following contract expiration in 2018.

We present Adjusted EBITDA because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA (i) as a factor in evaluating management’s performance when determining incentive compensation, (ii) to evaluate the effectiveness of our business strategies and (iii) because the indenture for the notes uses measures similar to Adjusted EBITDA to calculate certain covenants.
Adjusted EBITDA has limitations as an analytical tool. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;

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Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;

- Non-cash compensation is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period;

- Adjusted EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and

- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Liquidity and Capital Resources

As of March 31, 2018, we had $12,288 of borrowing availability under our financing agreements. Throughout 2016 and 2017, we implemented several initiatives to improve liquidity and maximize profitability. We believe these initiatives, focusing on sales growth, pricing strategies, operational improvements and SG&A management will drive significant improvement in our profitability.

TABLE OF CONTENTS

Our short-term and long-term liquidity needs arise primarily from: (i) debt service obligations with respect to our ABL Credit Facility and other long-term notes, (ii) capital expenditures, (iii) working capital requirements as may be needed to support the seasonal and cyclical growth of our business and (iv) potential acquisitions. Management believes it will have sufficient liquidity through borrowing availability, available cash and cash flows from operating activities to fund its cash requirements for existing operations and capital expenditures through the next twelve months.

Our ability to make payments on our debt and to fund planned capital expenditures will depend on our future performance, including our ability to generate cash. This is subject to general economic, financial, housing industry, competitive and other factors which include factors that are beyond our control. Historically, we have experienced tightness in our liquidity position between January to April of each year, and we have drawn more heavily on our ABL Credit Facility during those periods.

As of March 31, 2018, we have an aggregate of $554,332 net operating losses that begin to expire in 2019, of which $256,891 is restricted. These net operating losses may be used to offset U.S. Federal income tax.

The following summarizes our primary sources and uses of cash for the three months ended March 31, 2018 and 2017:

	31-Mar-18	31-Mar-17
Net cash flows provided by operating activities	$ 4,199	$ 2,544
Net cash flowzs used in investing activities	(1,339)	(11,562)
Net cash flows (used in) provided by financing activities	(8)	8,705
Effect of exchange rate changes	(102)	(75)
Total increase (decrease) in cash and cash equivalents	$ 2,750	$ (388)

Net cash flows provided by operating activities. Cash provided by operating activities increased $1,655 during the first three months of 2018 compared to cash flows during the same period in 2017. The increase was mainly due to the improvements in operating performance as reflected in the reduction in net loss.

Net cash flows used in investing activities. Cash used in investing activities decreased $10,223 during the first three months of 2018 compared to cash flows during the same period in 2017. The primary driver of this change was the use of cash of $9,036 in 2017 to fund the Tru Bilt acquisition.

Net cash flows (used in) provided by financing activities. Cash used in financing activities was $8 during the three months ended March 31, 2018 compared to cash provided by financing activities of $8,705 during the three months ended March 31, 2017. The change is due to an increase in proceeds from capital contributions of $6,700 and net borrowings under the ABL Credit Facility of $2,000 in 2017.

Capital expenditures

During the three months ended March 31, 2018 and 2017, we invested approximately $1,339 and $2,794 in total capital expenditures, respectively.

Long-term debt

Senior Secured Asset Based Revolving Credit Facility. The Company, its subsidiaries and the Parent entered into a Credit Agreement (the “ABL Credit Agreement”), dated December 27, 2016, with certain financial institutions (the “ABL Lenders”), and Bank of America, N.A., as agent for the ABL Lenders (the “Agent”), in order to replace and refinance the Company’s then-existing ABL facility and to provide for a new ABL facility (the “ABL Facility”) of up to $50,000, including a sub-facility available for the issuance of letters of credit up to $17,500. In connection with the entry into the ABL Credit Agreement, our previous ABL facility was terminated. As of March 31, 2018 we had $12,288 of borrowing availability under the ABL Credit Facility.

TABLE OF CONTENTS
All of the Company's domestic subsidiaries and certain of its Canadian subsidiaries are currently guarantors to the Company's obligations under the ABL Facility. In addition, the Company's obligations under the ABL Facility and the obligations of the guarantors under the guarantees is secured by a first-priority security interest in all accounts receivable, supporting obligations and other rights to payment, inventory, all documents, instruments and general intangibles (excluding intellectual property, except that the Agent will receive a non-exclusive, royalty free, worldwide license or sublicense to use all of the collateral securing the Senior Secured Notes constituting intellectual property in connection with the exercise of its rights and remedies as a secured party) relating to such accounts and inventory, deposit accounts and proceeds of the foregoing, in each case, of the Company and each guarantor, whether owned on the ABL Closing Date or thereafter acquired.

The ABL Facility matures on the earlier of December 27, 2021 or 90 days prior to the maturity or early termination of certain material indebtedness.

All borrowings by the Company or its subsidiaries under the ABL Facility are limited by availability under a borrowing base, which is an amount equal to the sum of: (i) 85% of the face amount of eligible accounts receivable (net of certain claimed returns, rebates, discounts, credits, allowances or taxes) and (ii) the lesser of (a) 75% of the value of eligible inventory and (b) 85% of the net orderly liquidation value of eligible inventory, subject, in each case, to reserves and discounted to reflect appraisal valuations.

At the Company's option, borrowings under the ABL Facility bear interest at a fluctuating rate equal to LIBOR plus 2.25% or Base Rate plus 1.25%; provided, that the fluctuating rate of interest is reduced, in each case, by 0.25% if the average daily availability as a percentage of total commitments (the "Average Availability Percentage") is at least 33% and is further reduced, in each case, by 0.25% if the Average Availability Percentage is at least 66%. Under the ABL Credit Agreement, "Base Rate" is equal to the greatest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.50%, or (iii) LIBOR plus 1.00%. The interest rate was 5.75% and 5.50% as of March 31, 2018 and December 31, 2017, respectively.

The Company is required to pay certain fees and expenses in connection with the ABL Facility, including an unused commitment fee on the average daily amount of the unused portion of the ABL Facility at a rate of 0.375% per annum, payable quarterly in arrears on the first day of each calendar quarter; provided that the rate of the unused commitment fee shall be reduced to 0.25% if the Average Availability Percentage was at least 50% during the applicable quarter.

The Company is required to comply with various representations and affirmative and negative covenants, in each case as more fully set forth in the ABL Credit Agreement and related loan documents. If the borrowing base does not exceed the sum of the borrowings and letters of credit issued by at least $5,000, the Company is required to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 measured as of the last day of each month for the most recent period for which financial statements were delivered under the ABL Credit Agreement; provided that once the fixed charge coverage ratio has been tested, it shall continue to be tested until the borrowing base exceeds the sum of the borrowings and letters of credit issued by at least $5,000 for 30 consecutive days.

The ABL Credit Agreement contains customary events of default. Upon the occurrence of an event of default, the Agent may terminate the revolving commitments, accelerate the outstanding obligations and exercise remedies with respect to the collateral. Additionally, unless a payment event of default, bankruptcy or insolvency event of default has occurred and is continuing (in which case the foregoing increases shall be automatic), while any event of default exists under the ABL Credit Facility, either the Agent or the Lenders holding a majority of the commitments may increase the applicable interest rate on the loans and the letter of credit fee by 2.00% per annum.

In connection with the closing of the Merger, all obligations under the ABL Facility were repaid and the ABL Credit Agreement was terminated.

Senior Secured Notes due 2019. In April 2014, the Subsidiary issued $305,000 Senior Secured Notes bearing 7.75% interest under Rule 144A of the Securities Act at a 1.4% discount, yielding proceeds of $300,651. The Senior Secured Notes mature on May 1, 2019, with interest due on May 1 and November 1 of each year, commencing November 1, 2014.

TABLE OF CONTENTS

The Senior Secured Notes are guaranteed by us, all of our existing and future wholly owned domestic subsidiaries (other than the Subsidiary and subject to certain exceptions) and our Canadian subsidiary. The Senior Secured Notes are secured on a first-priority basis by substantially all the present and after-acquired tangible and intangible assets of the guarantors, other than the collateral of the ABL Facility, for which the Senior Secured Notes are secured on a second-priority basis.

The indenture governing the Senior Secured Notes requires us to comply with certain covenants, including restrictions on dividends, incurring additional debt, asset sales and transactions with affiliates. In addition, the indenture governing the Senior Secured Notes contains customary events of default, including payment defaults, breachesss of representation and warranties, change of control and bankruptcy and insolvency. However, there are no required financial maintenance covenants. We were in compliance with all applicable covenants at March 31, 2018.

In connection with the closing of the Merger, all outstanding Senior Secured Notes were redeemed and the indenture governing the Senior Secured Notes was terminated.

Off-Balance Sheet Arrangements

We have entered into operating lease agreements for office and manufacturing space, vehicles, machinery and equipment. Total rent expense for continuing operations for the three months ended March 31, 2018 and 2017 was $1,754 and $1,596, respectively. Total rent expense for discontinued operations for the three months ended March 31, 2018 and 2017 were $163 and $2, respectively. Certain lease agreements provide for increased payments based on changes in the Consumer Price Index. Additionally, under certain lease agreements, we are obligated to pay insurance and taxes.

TABLE OF CONTENTS

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks related to changes in interest rates, commodity pricing, foreign currency and inflation. We use derivative financial instruments on a limited basis to hedge economic exposures. We do not enter into derivative financial instruments or other financial instruments for speculative trading purposes.

Interest rate risk

We are subject to interest rate risk on our borrowings under our ABL Credit Facility which bear interest at floating rates. For fixed rate debt, such as the Senior Secured Notes, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow.

Commodity pricing risk

We are subject to market risk with respect to the pricing of our principal raw materials, which include, among others, vinyl, glass and aluminum. If prices of these raw materials were to increase dramatically, we may not be able to pass through increases to our customers and, as a result, gross margins could decline significantly. We manage the exposure to commodity pricing risk by continuing to diversify our product mix, leverage strategic sourcing programs and utilize our long-term supply relationships. In addition, we are also subject to market risk with respect to diesel fuel prices.

Foreign currency risk

We sell products in the United States and Canada. In addition, our Canadian subsidiary purchases significant raw materials from the United States. We have not historically hedged foreign currency transactions, but consider hedging as an option. At this time, a change in the relative value of the United States and Canadian currencies could adversely impact our financial performance, particularly that of our Canadian subsidiary. The exchange rate between the United States and Canada has fluctuated significantly in recent years and may continue to do so in the future. For the three months ended March 31, 2018 and 2017, the net impact of foreign currency changes to our stockholder’s deficit was an increase of $2,893 and decrease of $656 respectively.

Inflation

We believe that inflation has the potential to have a modest effect on our business, impacting our profit margins due to the increased cost of raw materials. The leases for our facilities are also largely tied to the Consumer Price Index, which exposes us to potentially higher costs in years with high inflation.

Certain Contractual Obligations

Legal Contingencies. We are party to various claims, legal actions and complaints arising in the ordinary course of business. Applicable accounting guidance requires us to accrue a liability if it is probable that the liability has been incurred and the amount of that liability can be reasonably estimated. At March 31, 2018, we have $380 accrued for loss contingencies arising from legal cases against us. Management believes the payment of these contingencies is probable and the accrual amount was estimated based on discussion with our legal counsel and the review of similar historical cases. The accruals are adjusted as needed as additional information is received, but the actual loss to be incurred may be significantly greater than or less than the amount presently accrued.

In the opinion of management, all other claims and legal matters, including employee and product defect cases, are without merit or are of such kind, or involve such amounts, that an unfavorable disposition would not have a material adverse effect on the consolidated financial position, results of operations or cash flows of us.

TABLE OF CONTENTS

Critical Accounting Policies and Estimates

This management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates and assumptions are based upon the best available information and are subject to change as conditions within and beyond our control change, including, but not limited to, economic conditions, the availability of additional information and actual experience rates different from those used in our estimates. Accordingly, actual results could materially differ from those estimates. Significant estimates are used in calculating allowance for bad debt, inventory reserves, recoverability of goodwill and other long-lived assets, self-insurance accruals, warranty accruals, net lease liabilities, contingent considerations, purchase price allocations, legal liabilities and in recognizing deferred tax assets and liabilities.

Revenue Recognition. Revenue from the sale of windows and doors and related building products is recorded at the time of delivery to the customer. On contracts involving installation, revenue is recognized when the installation is complete. Revenues are recorded net of customer incentive programs including advertising allowances and volume rebates. Revisions to those estimates are charged to income in the period in which the facts that give rise to the revisions become known.

We sell extended warranties on some of our products, both as bundled arrangements, as well as separately priced warranties; therefore each product and each warranty service has a standalone selling price whether sold as a bundle or as standalone sales. Product promotions are frequently offered as bundled arrangements. For bundled arrangements in which a warranty is offered in conjunction with a product sale, revenue is allocated to both the product and warranty using a relative selling price method, also known as a multiple deliverable arrangement. In these cases, we recognize extended warranty sales over the estimated life of the warranty, and in proportion to the costs expected to be incurred in performing services.

Our policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. We record the amounts collected as a current liability and relieve such liability upon remittance to the taxing authority without impacting revenues or expenses. We classify any shipping charges to customers as revenues. The costs of shipping and handling fees are presented in selling, delivery, general and administrative expenses in our condensed consolidated statements of operations.

Accounts Receivable and Allowance for Doubtful Accounts. Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts reflects management's best estimate of probable credit losses inherent in our existing accounts receivable balance. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We establish an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

Inventories. Inventory is valued at the lower of cost or market under the first-in, first-out (FIFO) method of accounting. Work-in-process and finished goods inventories consist of direct materials, labor and manufacturing overhead. We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and its estimated net realizable value based upon assumptions about future demand and market conditions.

Property, Plant, and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation. We depreciate these assets principally on a straight-line basis for financial reporting purposes over their estimated useful lives. Gains or losses on disposition represent the difference between the net proceeds and the net book value of the assets sold or retired. Expenditures for maintenance, minor renewals and repairs are expensed as incurred, while major replacements and improvements are capitalized.

Long-Lived Assets. We periodically review the net realizable value of our long-lived assets, including property, plant and equipment and definite-lived intangible assets, whenever events and circumstances indicate impairment may have occurred. In the event we determine that the carrying value of long-lived assets is in excess of estimated gross future cash flows for those assets, the value of the assets is written down to fair value.

TABLE OF CONTENTS

Goodwill and Indefinite Lived Trade Names. In accordance with ASC 350, Intangibles — Goodwill and Other, management reviews the carrying value of goodwill and indefinite lived trade names for recoverability based on estimated fair values of the reporting units in the fourth quarter of each year or when events or changes in circumstances indicate, in management's judgment, that the carrying value may not be recoverable. The fair values of the reporting units are based upon management's estimate of future cash flows and market participant assumptions for these reporting units. The carrying amounts of other indefinite lived assets are compared to their estimated fair values. We consider operating results, trends, and prospects of the Company, as well as competitive comparisons. We also take into consideration competition within the building materials industry and any other events or circumstances that might indicate potential impairment. If the asset is determined not to be recoverable, impairment is recognized as a charge to operations.

Special Note Regarding Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "belie "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. All written and oral forward-looking statements made in connection with this Quarterly Report that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included herein. There can be no assurance that other factors will not affect the accuracy of these forward-looking statements or that our actual results will not differ materially from the results anticipated in such forward-looking statements.

TABLE OF CONTENTS

Annex A

EXECUTED

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

PLY GEM PARENT, LLC,

NCI BUILDING SYSTEMS, INC.

and solely for the purposes of Sections 6.1(e), 6.5(a)(i), 6.5(a)(ii), 6.5(a)(iv), 6.5(b) and 6.5(c)

CLAYTON, DUBILIER & RICE, LLC

July 17, 2018

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER is made as of July 17, 2018 (the "Execution Date"), by and among Ply Gem Parent, LLC, a Delaware limited liability company ("Panther"), NCI Building Systems, Inc., a Delaware corporation ("Neptune"), and, solely for the purposes of Sections 6.1(e), 6.5(a)(i), 6.5(a)(ii), 6.5(a)(iv), 6.5(b) and 6.5(c), Clayton, Dubilier & Rice, LLC, a Delaware limited liability company (the "Sponsor"). Capitalized terms used and not otherwise defined in this Agreement have the meanings set forth in Article IX.

RECITALS

WHEREAS, Neptune and Panther desire, upon the terms and subject to the satisfaction or waiver of the conditions set forth in this Agreement, to effect a merger whereby Panther shall be merged with and into Neptune (the "Merger");

WHEREAS, the board of managers of Panther (the "Panther Board") has (a) unanimously approved this Agreement, the Merger and the other transactions contemplated by this Agreement (collectively, the "Transactions"), and (b) approved the execution, delivery and performance of this Agreement and the Transactions;

WHEREAS, (a) the board of directors of Neptune (the "Neptune Board") formed a special committee of independent directors who are independent of Sponsor (the "Special Committee") to evaluate and negotiate the Transactions on behalf of Neptune; (b) the Special Committee has unanimously (i) determined that the terms of this Agreement and the Transactions are advisable, fair and in the best interests of Neptune and its stockholders, (ii) approved the execution, delivery and performance of this Agreement and the Transactions, and (iii) determined to recommend that the Neptune Board approve this Agreement and the Transactions; and (c) the Neptune Board has, by unanimous vote of the Transaction Directors, (i) determined that the terms of this Agreement and the Transactions are advisable, fair and in the best interests of Neptune and its stockholders, (ii) approved the execution, delivery and performance of this Agreement and the Transactions, and (iii) determined to recommend that the Neptune stockholders adopt this Agreement and approve the Transactions;

WHEREAS, for U.S. federal income tax purposes, the parties intend that the Merger shall qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code") and this Agreement shall constitute and be adopted as a "plan of reorganization" within the meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3(a); and

WHEREAS, each of the parties intends to make certain representations, warranties, covenants and agreements in connection with this Agreement.

NOW, THEREFORE, in consideration of the premises, representations and warranties and mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, do hereby agree as follows:

ARTICLE I

THE TRANSACTIONS

1.1 The Merger.

(a) Upon the terms and subject to the satisfaction or waiver of the conditions set forth in this Agreement, and in accordance with the DGCL and the DLLCA, at the Effective Time, Panther shall be merged with and into Neptune. As a result of the Merger, the separate existence of Panther will cease and Neptune will survive and continue to exist as a Delaware corporation (the entity surviving the Merger, the "Surviving Corporation").

(b) As early as practicable on the Closing Date, the parties shall cause the Merger to be consummated by filing a certificate of merger relating to the Merger with the Secretary of State of the State of Delaware, in such form as required by, and executed in accordance with the relevant provisions of, the DGCL and the DLLCA (the "Certificate of Merger"). The Merger shall become

TABLE OF CONTENTS

effective at such time at which the Certificate of Merger is filed with the Secretary of State of the State of Delaware or at such subsequent time as Panther and Neptune shall agree and as shall be specified in the Certificate of Merger (the date and time the Merger becomes effective being the "Effective Time").

(c) At the Effective Time, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of the DGCL and the DLLCA. Without limiting the generality of the foregoing, at the Effective Time, all the property, rights, privileges, powers and franchises of Neptune and Panther shall vest in the Surviving Corporation, and all debts, liabilities and duties of Neptune and Panther shall become the debts, liabilities and duties of the Surviving Corporation.

1.2 Closing. The closing of the Merger (the "Closing") shall take place at 9:00 a.m. New York City time on the second (2nd) Business Day after the satisfaction or waiver (to the extent permitted herein) of the conditions (excluding conditions that, by their nature, are to be satisfied by actions taken at the Closing, but subject to the continuing satisfaction or waiver of all conditions as of the Closing) set forth in Article VII, at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, unless another time, date or place is agreed to in writing by Panther and Neptune. The date upon which the Closing actually occurs is referred to herein as the "Closing Date."

1.3 Articles of Incorporation and Bylaws.

(a) Certificate of Incorporation of the Surviving Corporation. At the Effective Time, Neptune shall cause the certificate of incorporation of the Surviving Corporation to be amended and restated to be substantially in the form of Exhibit A hereto.

(b) Bylaws of the Surviving Corporation. At the Effective Time, Neptune shall cause the bylaws of the Surviving Corporation to be amended and restated to be substantially in the form of Exhibit B hereto.

1.4 Directors, Managers and Officers. As of the Effective Time, the board of directors of the Surviving Corporation shall be comprised of the individuals listed on Schedule I hereto (as such schedule may be amended or supplemented prior to the Closing by mutual agreement of the parties). As of the Effective Time, the senior management of the Surviving Corporation shall be comprised of the persons listed on Schedule II hereto (as such schedule may be amended or supplemented prior to the Closing by mutual agreement of the parties) in the positions indicated opposite their respective names in such section. Neptune shall take all action necessary to appoint such persons to the applicable positions so indicated, subject to and conditioned on the Effective Time. If prior to the Effective Time, any management appointee is unwilling or unable to serve in such designated management position as a result of illness, death, resignation or any other reason, then a replacement for such person, if any, shall be appointed by Neptune.

1.5 Stockholders Agreement. Prior to the Effective Time, but with effect only from and after the Effective Time, Neptune shall enter into a Stockholders Agreement (the "Stockholders Agreement") with Fund VIII, certain Affiliates of Fund VIII, CD&R Pisces Holdings, L.P., a Cayman Islands exempted limited partnership, and Atrium Intermediate Holdings, LLC, a Delaware limited liability company ("Golden"), providing for certain governance rights and voting agreements, substantially in the form of Exhibit C hereto.

1.6 Registration Rights Agreement. Prior to the Effective Time, but with effect only from and after the Effective Time, Neptune shall enter into a Registration Rights Agreement (the "Registration Rights Agreement") with Fund VIII, certain Affiliates of Fund VIII, CD&R Pisces Holdings, L.P. and Golden, providing for certain registration rights, substantially in the form of Exhibit D hereto.

ARTICLE II

EFFECT OF THE MERGER ON THE EQUITY INTERESTS OF PANTHER AND NEPTUNE

2.1 Conversion of Securities.

(a) At the Effective Time, by virtue of the Merger and without any action on the part of Panther, Neptune or the holders of any Panther LLC Interests or book-entry interests (the "Holders") or the holders of Neptune Common Stock, all Equity Interests in or of Panther (including Panther LLC Interests) issued and outstanding immediately prior to the Effective Time, other than Panther LLC

TABLE OF CONTENTS

Interests not entitled to receive merger consideration pursuant to Section 2.1(b), shall be converted into the right to receive, in the aggregate with respect to all such interests, 58,709,067 fully paid and nonassessable shares of Neptune Common Stock, collectively, (the "Aggregate Merger Consideration"), with each Holder becoming entitled to receive a number of shares of Neptune Common stock equal to such Holder's Percentage Interest multiplied by the number of shares constituting the Aggregate Merger Consideration ("Per Interest Merger Consideration"). All such Panther LLC Interests that were issued and outstanding immediately prior to the Effective Time shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist and each Holder shall thereafter cease to have any rights with respect to such Panther LLC Interests, except the right to receive the Per Interest Merger Consideration, without interest. Each Atlas Holder shall become entitled to receive such Atlas Holder's share of the Per Interest Merger Consideration only upon such Atlas Holder's submission of an Atlas LOT to the Surviving Corporation.

(b) Cancellation and Conversion of Certain Panther LLC Interests. Panther LLC Interests held by any wholly owned Subsidiary of Panther immediately prior to the Effective Time, if any, shall automatically be cancelled and retired and shall cease to exist and each holder of such interests shall thereafter cease to have any rights with respect to such Panther LLC Interests.

(c) Certain Adjustments. If, between the Execution Date and the Effective Time, any change in the number or type of outstanding shares of Neptune Common Stock shall occur as a result of a reclassification, recapitalization, exchange, stock split (including a reverse stock split), combination or readjustment of shares or any stock dividend, stock distribution or other similar event with a record date during such period, the number of shares constituting the Aggregate Merger Consideration shall be appropriately adjusted to provide the same economic effect as contemplated by this Agreement prior to such event; provided, however, that nothing in this Section 2.1(c) shall be deemed to permit or authorize any party hereto to effect any such change that it is not otherwise authorized or permitted to undertake pursuant to this Agreement.

2.2 Issuance of Aggregate Merger Consideration. At the Closing, Neptune shall deliver to each Holder such Holder's Per Interest Merger Consideration in Neptune Common Stock, in book-entry form, together with an executed certificate of the transfer agent of Neptune certifying as to the book-entry issuance thereof. No certificates or scrip representing fractional interests in Neptune or book-entry credit of the same will be issued.

2.3 LLC Interest Transfer Books. At the Effective Time, the applicable transfer books of Panther shall be closed with respect to Panther LLC Interests and thereafter there shall be no further registration of transfers of Panther LLC Interests theretofore outstanding on the records of Panther.

2.4 Withholding. Neptune, Panther and the Surviving Corporation shall be entitled to deduct and withhold from the consideration otherwise payable to any Person pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of such payment under any provision of local, state, federal, or foreign Tax Law. To the extent that amounts are so deducted or withheld by Neptune, Panther or the Surviving Corporation, as the case may be, such deducted or withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made by Neptune, Panther or the Surviving Corporation, as the case may be.

2.5 Reorganization Treatment. It is intended that for U.S. federal income tax purposes, the Merger shall qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and this Agreement is hereby adopted as a "plan of reorganization" within the meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3(a).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF NEPTUNE

Except as (a) disclosed in the Neptune SEC Documents publicly filed with or publicly furnished to the SEC on or after January 1, 2017 and prior to the Execution Date (excluding any disclosures included in any "risk factor" or "forward looking information" section of such Neptune SEC Documents) or (b) set forth in

TABLE OF CONTENTS

the disclosure letter delivered to Panther on the Execution Date (the "Neptune Disclosure Letter"), which identifies items of disclosure by reference to a particular section or subsection of this Agreement (provided that any information set forth in one section of the Neptune Disclosure Letter shall be deemed to apply to each other section or subsection thereof or hereof to which its relevance is reasonably apparent), Neptune hereby represents and warrants to Panther as follows:

3.1 Organization; Qualification. Each Neptune Entity is an entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. Each Neptune Entity (a) has all requisite organizational power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted, and (b) is duly qualified, registered or licensed to do business as a foreign entity and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so duly qualified, registered or licensed and in good standing would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect or to prevent, materially delay or materially impair the ability of Neptune to perform its obligations under this Agreement or the Transactions. Neptune has made available to Panther true and complete copies of the Organizational Documents of each Neptune Entity, as in effect on the Execution Date. There has been no violation of any of the provisions of the Organizational Documents of each Neptune Entity, and no Neptune Entity has taken any action that is inconsistent in any material respect with any resolution adopted by such entity's members, board of directors or board of managers (or other similar body) or any committee of the board of directors or board of managers (or other similar body) of such entity. Section 3.1 of the Neptune Disclosure Letter sets forth each Neptune Entity.

3.2 Authority; Enforceability.

(a) Neptune has the requisite power and authority to execute and deliver this Agreement and the other Transaction Agreements and, subject to receipt of the Neptune Stockholder Approval, to consummate the transactions contemplated by this Agreement and the Transaction Agreements. The execution and delivery by Neptune of this Agreement and the other Transaction Agreements and the consummation by Neptune of the transactions contemplated by this Agreement and the other Transaction Agreements have been duly and validly authorized by Neptune, and, except for the Neptune Stockholder Approval, no other proceedings on the part of Neptune or its stockholders is necessary to authorize this Agreement or the other Transaction Agreements or to consummate the transactions contemplated by this Agreement or the other Transaction Agreements. The Neptune Board has, by unanimous vote of the Transaction Directors, (i) declared it advisable to enter into this Agreement, (ii) determined that this Agreement, the Transactions and the terms of the Stockholders Agreement and the Registration Rights Agreement are fair and in the best interests of Neptune and its stockholders, (iii) approved this Agreement, the Stockholders Agreement, the Registration Rights Agreement and the Transactions and (iv) determined to recommend that the holders of Neptune Common Stock vote to approve the Transactions and adopt this Agreement (the "Neptune Recommendation"). No Neptune stockholders or other holders of Equity Interests of Neptune have any dissenters' rights or rights of appraisal relating to the Transactions or the Transaction Agreements.

(b) This Agreement and the other Transaction Agreements have been, or, in the case of the Transaction Agreements to be delivered after the Execution Date, will be, duly executed and delivered by Neptune, and, assuming the due authorization, execution and delivery by Panther Entities, this Agreement and the other Transaction Agreements constitute the valid and binding obligation of Neptune, enforceable against Neptune in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to legal principles of general applicability governing the availability of equitable remedies, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law) (collectively, "Creditors' Rights").

3.3 Non-Contravention. The execution, delivery and performance of this Agreement and the other Transaction Agreements by Neptune and, subject to the receipt of the Neptune Stockholder Approval, the consummation by Neptune of the Transactions do not and will not (a) result in any breach or violation of any provision of the Organizational Documents of any Neptune Entity; (b) constitute a default (or an Event that with notice or passage of time or both would give rise to a default) under, or give rise to any right of termination, cancellation, amendment or acceleration (with or without the giving of notice, or the passage of time or both) under any of the terms, conditions or provisions of any Contract to which any Neptune Entity is a party or by which any property or asset of any Neptune Entity is bound or affected; (c) assuming compliance with the matters referred to in Section 3.4, violate any Law to which any Neptune Entity is subject or by which any Neptune Entity's properties or assets are bound; or (d) constitute (with or without the giving of notice or the passage of time or both) an Event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of any Neptune Entity, except, in the cases of clauses (b), (c) and (d), for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances as would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect or to prevent, materially delay or materially impair the ability of Neptune to perform its obligations under this Agreement or the consummation of the Transactions.

3.4 Approvals of Governmental Entities and Third Parties. No declaration, filing or registration with, or notice to, or authorization, consent or approval of, any Person or Governmental Entity is necessary for the consummation by Neptune of the Transactions, other than (a) filings and clearances required under the HSR Act, the Competition Act of Canada and the Austrian Cartel Act, (b) in connection or in compliance with the Exchange Act or the Securities Act, (c) applicable state securities and "blue sky" Laws, (d) the Neptune Stockholder Approval and (e) such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect or to prevent, materially delay or materially impair the ability of Neptune to perform its obligations under this Agreement or the Transactions.

3.5 Capitalization.

(a) The authorized capital stock of Neptune consists of 101,000,000 shares, consisting of (i) 100,000,000 shares of Neptune Common Stock, par value $0.01 per share, and (ii) 1,000,000 shares of preferred stock, par value $1.00 per share ("Neptune Preferred Stock"). As of the Execution Date: (A) 66,203,841 shares of Neptune Common Stock were issued and outstanding (including 47,490 shares of Neptune Common Stock subject to outstanding Neptune restricted stock awards ("Neptune Restricted Stock Award")), (B) no shares of Neptune Preferred Stock were issued and outstanding, (C) 214,971 shares of Neptune Common Stock were subject to outstanding Neptune Stock Options, (D) 445,043, shares of Neptune Common Stock were subject to outstanding Neptune RSU Awards, (E) 1,960,195 shares of Neptune Common Stock were subject to outstanding Neptune PSU Awards (assuming applicable performance goals are achieved at maximum) and (F) 60,813 shares of Neptune Common Stock were reserved in treasury for issuance in connection as deferred compensation. Except as set forth in this Section 3.5(a) and for the Equity Interests that may be granted or issued by Neptune following the Execution Date pursuant to Section 5.1(b), Neptune has no other Equity Interests authorized, issued and/or outstanding.

(b) All of the outstanding shares of Neptune Common Stock are duly authorized and validly issued in accordance with the Organizational Documents of Neptune, as applicable, and are, or will be when issued, fully paid and nonassessable and have not been, or will not be when issued, issued in violation of any preemptive rights, rights of first refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each Subsidiary of Neptune are authorized and validly issued in accordance with the Organizational Documents of such Neptune Entity and are fully paid (to the extent required under the Organizational Documents of such Neptune Entity) and nonassessable and have not been issued in violation of any preemptive rights, rights of first refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each Subsidiary of Neptune is owned by the Persons set forth in Section 3.5(b) of the Neptune Disclosure Letter named as owning such interests free and clear of all Encumbrances other than (i) transfer restrictions imposed by federal and state securities Laws and (ii) any transfer restrictions contained in the Organizational Documents of the Neptune Entities, none of which apply to the Transactions. As of the Execution Date and the Closing Date, Neptune owns, directly or indirectly, all of the

TABLE OF CONTENTS

outstanding Equity Interests in each other Neptune Entity free and clear of all Encumbrances other than (A) transfer restrictions imposed by federal and state securities Laws and (B) any transfer restrictions contained in the Organizational Documents of the Neptune Entities.

(c) Except as set forth in the Organizational Documents of Neptune and except as otherwise provided in Section 3.5(a), there are no preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate any of the Neptune Entities to issue or sell any Equity Interests or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any Equity Interests in any of the Neptune Entities, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(d) No Neptune Entity has any outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the holders of Equity Interests in any Neptune Entity on any matter.

(e) There are no voting trusts or other agreements or understandings to which any Neptune Entity is a party with respect to the voting or registration of the limited liability company interest or other Equity Interest of any Neptune Entity.

(f) Except with respect to the ownership of any equity or long-term debt securities between or among the Neptune Entities, none of the Neptune Entities owns, directly or indirectly, any equity or long-term debt securities of any Person.

3.6 Compliance with Law. Except for Environmental Laws, Laws requiring the obtaining or maintenance of a Permit, Tax matters, Laws relating to employee benefits, employment and labor matters, and Laws relating to regulatory and compliance matters, which are the subject of Sections 3.11, 3.14, 3.15 and 3.16, respectively, and except as to matters that would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect, (a) each Neptune Entity is in compliance with all applicable Laws, (b) none of the Neptune Entities has received written notice from any Governmental Entity regarding any violation of any applicable Law and (c) none of the Neptune Entities has received written notice that it is under investigation by any Governmental Entity for potential noncompliance with any Law.

3.7 Neptune SEC Reports; Financial Statements.

(a) Neptune has timely furnished or timely filed all reports, schedules, forms, statements and other documents (including exhibits and other information incorporated therein) required to be furnished or filed by Neptune with the SEC since January 1, 2017 (such documents being collectively referred to as the “Neptune SEC Documents”). Each Neptune SEC Document (i) at the time filed, complied in all material respects with the requirements of the Exchange Act and the Securities Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Neptune SEC Document, and (ii) did not contain at the time it was filed (or if amended or superseded by a filing or amendment prior to the Execution Date, then at the time of such filing or amendment) any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements of Neptune included (i) in any report, schedule, form, statement and other document (including exhibits and other information incorporated therein) furnished or filed with the SEC on or after December 22, 2015 and prior to January 1, 2017, or (ii) in the Neptune SEC Documents (such financial statements included in either of clause (i) or (ii) “Neptune Financial Statements”) complied at the time it was filed as to form in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, has been prepared in accordance with GAAP applied on a consistent basis throughout the periods presented thereby and fairly presents in all material respects the consolidated financial position and operating results, equity and cash flows of Neptune and its consolidated Subsidiaries as of, and for the periods ended on, the respective dates thereof, subject, however, in the case of unaudited financial statements, to normal year-end audit adjustments.

TABLE OF CONTENTS

(c) Neptune has established and maintains a system of internal control over financial reporting and disclosure controls and procedures (as such terms are defined in Rule 13a-15 or Rule 15d-15, as applicable, under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to Neptune, including its consolidated Subsidiaries, required to be disclosed by Neptune in the reports that it files or submits under the Exchange Act is accumulated and communicated to Neptune's principal executive officer and its principal financial officer to allow timely decisions regarding required disclosure; and such disclosure controls and procedures are effective to ensure that information required to be disclosed by Neptune in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Neptune's principal executive officer and its principal financial officer have disclosed, based on their most recent evaluation, to Neptune's auditors and the audit committee of the Neptune Board (x) all significant deficiencies in the design or operation of internal controls of financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that are reasonably likely to adversely affect Neptune's ability to record, process, summarize and report financial information and (y) any fraud, known to such officers, whether or not material, that involves management or other employees who have a significant role in Neptune's internal controls. The principal executive officer and the principal financial officer of Neptune have made all certifications required by the Sarbanes-Oxley Act, the Exchange Act and any related rules and regulations promulgated by the SEC with respect to the Neptune SEC Documents, and the statements contained in such certifications were complete and correct as of the dates they were made.

(d) None of the Neptune Entities has any liability, whether accrued, contingent, absolute or otherwise, that would be required to be included in the financial statements of Neptune and its consolidated Subsidiaries under GAAP or of any nature, except for (i) liabilities set forth in the consolidated balance sheet dated as of April 29, 2018 or the notes thereto contained in the Neptune Financial Statements; (ii) liabilities that have arisen since April 29, 2018, in the ordinary course of business; (iii) liabilities or obligations incurred in connection with the transactions contemplated hereby; and (iv) liabilities which would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect.

3.8 Absence of Certain Changes. Except as expressly contemplated by this Agreement, since January 28, 2018, (a) through the Execution Date, the Neptune Entities have operated their business in all material respects only in the ordinary course of business and consistent with past practice, (b) through the Execution Date, no Neptune Entity has taken or agreed to take any action that, if taken during the period from the Execution Date to the Effective Time, would constitute a breach of Section 5.1(b)(ii), (iii), (iv), (v), (ix), (x), (xi), (xii), (xiii), (xiv) or (xviii) and (c) through the Effective Time, there has not been any Event, occurrence or development which has had, or would be reasonably expected to have, individually or in the aggregate, a Neptune Material Adverse Effect.

3.9 Real Property.

(a) Section 3.9(a) of the Neptune Disclosure Letter sets forth a true, correct and complete list, as of the date hereof, of all of the real property owned by the Neptune Entities (the "Neptune Owned Real Property"). The Neptune Entities have fee simple, insurable title to all Neptune Owned Real Property, free and clear of all Encumbrances, except Permitted Encumbrances. For purposes of the preceding sentence, "insurable title" means such title as a nationally recognized title insurance company would insure subject to its customary standard exclusions and exceptions and other exceptions that would not materially affect the operations of the Neptune Entities as conducted on the Neptune Owned Real Property as of the date hereof, so long as the insured complies with all obligations of the insured with respect to such title insurance commitment and the insured pays all title insurance and endorsement premiums and all other costs, fees and expenses of the title insurance company. There are no outstanding Contracts, options, rights of first offer or rights of first refusal in favor of any third parties to purchase or otherwise acquire any Neptune Owned Real Property or any portion thereof or interest therein.

(b) Section 3.9(b) of the Neptune Disclosure Letter sets forth a true, correct and complete list, as of the date hereof, of all of the real property leased or subleased by the Neptune Entities (the "Neptune Leased Real Property") and each lease or other agreement pursuant to which the Neptune

TABLE OF CONTENTS

Entities lease or otherwise occupy any Neptune Leased Real Property (each, together with all amendments, modifications and agreements related thereto, a “Neptune Real Property Lease”). A Neptune Entity has a valid leasehold or subleasehold (as applicable) interest in all Neptune Leased Real Property, free and clear of all Encumbrances, except Permitted Encumbrances. All Neptune Real Property Leases are in full force and effect and are enforceable in accordance with their respective terms, subject to the effect of any applicable Laws relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Laws relating to or affecting creditors’ rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law), except as would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect.

(c) The Neptune Entities are not in default or otherwise in breach under any Neptune Real Property Lease and, to the Knowledge of Neptune, no other party is in default or otherwise in breach thereof, except for breaches or defaults that would not reasonably be expected to be, individually or in the aggregate, material to Neptune. No party to any Neptune Real Property Lease has notified the Neptune Entity party thereto in writing that it is exercising any termination right with respect thereto, and, to the Knowledge of Neptune, there is no outstanding dispute, oral agreement or forbearance program in effect with respect to any Neptune Real Property Lease, except as would not reasonably be expected to be, individually or in the aggregate, material to Neptune. The delivery and execution of this Agreement and the consummation of the transactions contemplated hereby do not require the consent of the landlord or any other Person under any Neptune Real Property Lease. Neptune has made available to Panther a true, correct and complete copy of each Neptune Real Property Lease.

(d) With respect to each Neptune Owned Real Property and each Neptune Leased Real Property, except as would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect, (i) the Neptune Entities have not leased, subleased or otherwise granted anyone the right to use or occupy any portion thereof, (ii) all improvements thereon that are used or occupied by the Neptune Entities are in good operating condition and repair (ordinary wear and tear excepted) and sufficient for the Neptune Entities’ use or occupancy of such properties and (iii) as of the date hereof, there is no pending or, to the Knowledge of Neptune, threatened condemnation or other eminent domain proceeding affecting any portion thereof, nor any sale or other disposition in lieu of condemnation.

3.10 Intellectual Property. Except as would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect:

(a) The Neptune Entities own, license, sublicense or otherwise possess legally enforceable rights to use all Intellectual Property necessary to conduct the business of the Neptune Entities, as currently conducted (in each case excluding generally commercially available, off-the-shelf software programs).

(b) The execution and delivery of this Agreement by Neptune and the consummation by Neptune of the Merger will not result in the breach of, or create on behalf of any third party the right to terminate or modify (i) any license, sublicense or other agreement relating to any Intellectual Property owned by any Neptune Entity that is material to the business of the Neptune Entities, as currently conducted (the “Neptune Intellectual Property”) or (ii) any license, sublicense and other agreement as to which any Neptune Entity is a party and pursuant to which such Neptune Entity is authorized to use any third-party Intellectual Property that is material to the business of the Neptune Entities, as currently conducted, excluding generally commercially available, off-the-shelf software programs.

(c) All material issued patents and registrations for trademarks, service marks, domain names and copyrights, and related applications, included in the Neptune Intellectual Property are set forth on Section 3.10(c) of the Neptune Disclosure Letter. The Neptune Intellectual Property is subsisting and has not expired, has not been held invalid or unenforceable and has not been cancelled.

(d) To Neptune’s Knowledge, the conduct of the business of the Neptune Entities, as currently conducted, does not infringe, violate or constitute a misappropriation of any valid Intellectual Property of any third party, and has not, since January 1, 2016. Since January 1, 2016, no Neptune Entity has

TABLE OF CONTENTS
received any written claim or notice from any Person (i) alleging any such infringement, violation or misappropriation or (ii) advising that such Person is challenging or threatening to challenge the ownership, use, validity or enforceability of any Neptune Intellectual Property.
(e) To Neptune’s Knowledge, no third party is, or since January 1, 2016 has been, infringing, violating or misappropriating any of Neptune Intellectual Property in any material respect.
(f) The Neptune Entities have implemented commercially reasonable measures to maintain the validity of the Neptune Intellectual Property and the confidentiality of the Neptune Intellectual Property of a nature that Neptune intends to keep confidential.
(g) The Neptune IT Systems are in good repair and operating condition in all material respects and are adequate and suitable for the purposes for which they are being used or held for use. To Neptune’s Knowledge, the Neptune IT Systems do not contain any malware or virus that would reasonably be expected to interfere with the ability of any Neptune Entity to conduct its business as currently conducted.
3.11 Environmental Matters.
(a) Except as to matters that would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect:
(i) each of the Neptune Entities and its assets, real properties and operations are and, during the two (2) years preceding the Execution Date, have been, in compliance with all applicable Environmental Laws;
(ii) each of the Neptune Entities possesses all Environmental Permits required for their operations as currently conducted and is in compliance with the terms of such Environmental Permits, and such Environmental Permits are in full force and effect and are not subject to any pending or, to the Knowledge of Neptune, threatened Proceeding;
(iii) none of the Neptune Entities nor any of their properties or operations or any person or entity whose liability any of the Neptune Entities has retained or assumed either contractually or by operation of Law, are subject to any pending or, to the Knowledge of Neptune, threatened Proceeding arising under any Environmental Law, nor has any Neptune Entity received any written and pending notice, order or complaint from any Person alleging a violation of or liability arising under any Environmental Law; and
(iv) there has been no Release of Hazardous Substances on, at, under, to, or from any of the properties of the Neptune Entities or, to the Knowledge of Neptune, any offsite properties, or from or in connection with the Neptune Entities’ operations in a manner that would reasonably be expected to give rise to any uninsured liability pursuant to any Environmental Law.
(b) Neptune has made available to Panther complete and accurate copies of all reports, studies, investigations and audits that are in Neptune’s possession or control, have been prepared within the two (2) years preceding the Execution Date, and that address any (i) condition of the Neptune Entities’ assets, properties or operations, (ii) noncompliance by any Neptune Entity with Environmental Laws, or (iii) liabilities that the Neptune Entities may have incurred pursuant to Environmental Laws, in each case with respect to clauses (i), (ii) and (iii) to the extent that such matter would reasonably be expected to result in a Neptune Material Adverse Effect.
(c) Except with respect to Sections 3.7, 3.8 and 3.17, this Section 3.11 represents Neptune’s sole representations and warranties with respect to environmental matters.
(d) None of the Neptune Entities is subject to any judgment, order or decree or any indemnity obligation with any other Person that would reasonably be expected to result in liabilities under applicable Environmental Laws or concerning Hazardous Substances, in each case to the extent that such matter would reasonably be expected to result in a Neptune Material Adverse Effect.

TABLE OF CONTENTS

3.12 Material Contracts.

(a) As of the Execution Date, except for those Contracts set forth in Section 3.12(a) of the Neptune Disclosure Letter and excluding any Neptune Benefit Plans, none of the Neptune Entities is a party to or bound by any Contract that:

(i) other than any employment agreement, includes any Affiliate of the Neptune Entities (other than any Neptune Entity) or any director or officer of the Neptune Entities, or any of their respective family members or Persons in which any of them have, directly or indirectly, a material interest (any such Person, a "Neptune Related Person") (other than the Neptune Entities), as a counterparty or third-party beneficiary;

(ii) contains any provision or covenant which (A) materially restricts any Neptune Entity or any Affiliate thereof from engaging in any lawful business activity or competing with any Person, or (B) would, after the Effective Time, materially restrict Panther and its Affiliates from engaging in any lawful business activity or competing with any Person;

(iii) (A) relates to the creation, incurrence, assumption, or guarantee of any Indebtedness by any Neptune Entity, (B) creates a capitalized lease obligation or any financial obligation under a hedge, swap or similar agreement (except, in the cases of clauses (A) and (B), any such Contract with an aggregate principal amount or current termination value not exceeding $10,000,000 and except any transactions solely among the Neptune Entities) or (C) any Contract that obligates Neptune or any of its Subsidiaries to make any loans, advances or capital contributions to, or investments in excess of $10,000,000 in, any Person (other than Neptune or any of its Subsidiaries);

(iv) other than with respect to any partnership that is wholly owned by the Neptune Entities, taken as whole, is in respect of the formation of any partnership, limited liability company agreement or joint venture or otherwise relates to the joint ownership or operation of the assets owned by any Neptune Entity, in each case, that is material to the Neptune Entities, taken as a whole;

(v) includes the acquisition or sale of assets with a book value in excess of $5,000,000 (whether by merger, sale of stock, sale of assets or otherwise);

(vi) is an acquisition Contract that contains an "earn-out" or other contingent payment obligations, or remaining indemnity or similar obligations that would be reasonably expected to result in payments after the Execution Date by the Neptune Entities in excess of $10,000,000;

(vii) relates to any interest rate, derivatives or hedging transactions in the nominal amount of $1,000,000 or more;

(viii) involves a sharing of profits, losses, costs or liabilities by any Neptune Entity with any other Person or pursuant to which any Neptune Entity has agreed to guarantee the performance obligations of any other Person (other than another Neptune Entity);

(ix) otherwise involves the annual payment by or to any Neptune Entity of more than $10,000,000 and cannot be terminated by the Neptune Entities on ninety (90) days' or less notice without payment by the Neptune Entities of any penalty;

(x) (A) expressly obligates Neptune or its Subsidiaries (or following the Closing, the Surviving Corporation or its Subsidiaries) to conduct business with any third party on a preferential or exclusive basis; (B) contains "most favored nation" or similar covenants; or (C) requires Neptune or any of its Subsidiaries to "take or pay" with respect to the purchase of any goods or services, in each of clauses (A), (B) and (C), where such obligation, covenant or requirement, respectively, is material to Neptune and its Subsidiaries, taken as a whole;

(xi) grants any right of first refusal, right of first offer or similar right with respect to any material assets, rights or properties of Neptune or its Subsidiaries;

TABLE OF CONTENTS

(xii) is required to be included as an exhibit to Neptune's Annual Report on Form 10-K pursuant to Items 601(b)(2), (4), (9) or (10) of Regulation S-K of the SEC;

(xiii) is a Neptune Real Property Lease;

(xiv) is a Contract with any customer from whom the Neptune Entities, together, received revenue in excess of $10,000,000 during fiscal year 2017;

(xv) is a Contract with any vendor to whom the Neptune Entities, together, paid in excess of $10,000,000 during fiscal year 2017;

(xvi) requires future capital expenditures in an amount in excess of $10,000,000;

(xvii) is a contract with any Governmental Entity (other than licenses and Permits obtained in the ordinary course of business);

(xviii) is an agreement that restricts or grants rights to use or practice rights under Intellectual Property material to the business of the Neptune Entities (other than licenses to generally commercially available software programs); or

(xix) is material to Neptune but otherwise not of a type described in clauses (i) through (xviii) above.

(b) Each Contract required to be disclosed pursuant to Section 3.12(a) (collectively, the "Neptune Material Contracts") has been made available to Panther, and, except as would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect, each Neptune Material Contract is a valid and binding obligation of the applicable Neptune Entity, and is in full force and effect and enforceable in accordance with its terms against such Neptune Entity and, to the Knowledge of Neptune, the other parties thereto, except, in each case, as enforcement may be limited by Creditors' Rights.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect, none of the Neptune Entities nor any other party to any Neptune Material Contract is in default or breach under the terms of any Neptune Material Contract and no Event has occurred that with the giving of notice or the passage of time or both would constitute a breach or default by such Neptune Entity or, to the Knowledge of Neptune, any other party to any Neptune Material Contract, or would permit termination, modification or acceleration under any Neptune Material Contract.

3.13 Legal Proceedings. Other than with respect to Proceedings arising under Environmental Laws, which are the subject of Section 3.11, or Tax matters, which are the subject of Section 3.15, there are no material Proceedings pending or, to the Knowledge of Neptune, threatened against the Neptune Entities. There is no material judgment, order or decree outstanding against any Neptune Entity. To the Knowledge of Neptune, as of the Execution Date, no officer or director of any Neptune Entity is a defendant in any Proceeding in connection with his or her status as an officer or director of any Neptune Entity. No Neptune Entity nor any of their respective properties or assets is or are subject to any material judgment, order or decree of a Governmental Entity.

3.14 Permits. Other than with respect to Permits issued pursuant to or required under Environmental Laws, the Neptune Entities have all Permits as are necessary to use, own and operate their assets in the manner such assets are currently used, owned and operated by the Neptune Entities, except where the failure to have such Permits would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect.

3.15 Taxes. Except as would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect:

(a) All Tax Returns required to be filed by any of the Neptune Entities have been timely filed (taking into account extensions of time for filing), each such Tax Return is complete and correct, and all Taxes that are due and payable from any of the Neptune Entities (including Taxes required to be withheld from payments to employees, creditors, equityholders or other Persons) have been paid in full.

TABLE OF CONTENTS

(b) There is no written claim (other than claims being contested in good faith through appropriate proceedings and for which adequate reserves have been made in accordance with GAAP) against any of the Neptune Entities for any Taxes, and no assessment, deficiency, or adjustment has been asserted or proposed in writing with respect to any Taxes or Tax Returns of any of the Neptune Entities.

(c) There are no Encumbrances for Taxes (other than Permitted Encumbrances) on the assets of any Neptune Entity.

(d) No audits or other administrative or judicial Proceedings are being conducted, are pending, or have been threatened in writing with respect to any Taxes or Tax Returns of any of the Neptune Entities.

(e) There are no outstanding agreements or waivers extending the applicable statutory periods of limitations for the assessment or payment of any Tax by any Neptune Entity.

(f) No Neptune Entity has requested, has received, or is subject to any written ruling of a taxing authority that will be binding on it for any taxable period beginning on or after the Closing Date or has entered into any “closing agreement” as described in Section 7121 of the Code (or any similar provision of state, local or foreign Law).

(g) None of the Neptune Entities (i) has been a member of an affiliated, consolidated, combined, or unitary group (other than a group the common parent of which is or was a Neptune Entity) for federal, state, local or foreign Tax purposes, or (ii) is a party to any Tax sharing, Tax allocation or similar agreement (other than any Tax sharing or indemnification provisions contained in any agreement (A) solely among the Neptune Entities or (B) entered into in the ordinary course of business and not primarily relating to Taxes (e.g., leases, credit agreements or other commercial agreements)).

(h) No Neptune Entity is liable for the Taxes of any other Person as a result of successor liability or transferee liability (whether pursuant to Treasury Regulations Section 1.1502-6 or any similar provision of state, local, or foreign Law or otherwise).

(i) None of the Neptune Entities has participated, or is currently participating, in any “listed transaction” within the meaning of Treasury Regulations Section 1.6011-4(b)(2).

(j) None of the Neptune Entities has constituted a “distributing corporation” or a “controlled corporation” (or a successor thereto) in a distribution of stock intended to qualify for tax-free treatment under Section 355(a) of the Code in the two (2) years prior to the date of this Agreement.

(k) None of the Neptune Entities is aware of the existence of any facts, or has taken or agreed to take any action, that could reasonably be expected to prevent the Merger from qualifying as a “reorganization” within the meaning of Section 368(a) of the Code.

Notwithstanding any other provisions of this Agreement to the contrary, the representations and warranties made in this Section 3.15 and in Section 3.16 are the sole and exclusive representations and warranties of the Neptune Entities with respect to Taxes.

3.16 Employee Benefits; Employment and Labor Matters.

(a) Section 3.16(a) of the Neptune Disclosure Letter contains a true and complete list of each material Neptune Benefit Plan. With respect to each material Neptune Benefit Plan, true and complete copies of each of the following documents, to the extent applicable, have been made available to the Panther: (i) each Neptune Benefit Plan, and (ii) as applicable to each Neptune Benefit Plan, (A) the summary plan description, (B) the most recent determination letter (or opinion letter, as applicable), (C) the most recent actuarial report, related trusts, insurance or group annuity Contracts, (D) correspondence to or from any Governmental Entity, (E) administrative service agreements, and (F) each other funding or financing arrangement relating to any plan, including, in each case, all amendments, modifications or supplements thereto.

TABLE OF CONTENTS
(b) Except for matters that would not reasonably be expected to have, individually or in the aggregate a Neptune Material Adverse Effect:
(i) each Neptune Benefit Plan has been established, operated and administered in compliance with its terms and applicable Law (including ERISA and the Code);
(ii) as to any Neptune Benefit Plan intended to be qualified under Section 401 of the Code, such plan has received a favorable determination letter or opinion letter, as applicable, from the IRS to such effect (or has applied or has time remaining to apply for such letter) and, to the Knowledge of Neptune, no Event has occurred since the date of such determination letter that would reasonably be expected to adversely affect the qualified status of any such Neptune Benefit Plan;
(iii) all contributions (including employer contributions and employee salary reduction contributions) that are due and owing to each Neptune Benefit Plan have been timely paid or accrued in accordance with GAAP; and
(iv) there are no unresolved claims or disputes (pending or threatened) under the terms of, or in connection with, any Neptune Benefit Plan other than routine undisputed claims for benefits.
(c) No Neptune Entity nor any ERISA Affiliate of any Neptune Entity maintains or contributes to an employee welfare benefit plan that provides health or life insurance or other welfare benefits to retired or terminated employees, their spouses or their dependents (other than in accordance with Section 4980B of the Code or for coverage through the end of the month of termination or during an applicable severance period).
(d) (i) Each Multiemployer Plan to which any Neptune Entity or any ERISA Affiliate of any Neptune Entity has, at any time during the preceding six (6) years, contributed to, been required to contribute to or had any liability with respect to, is set forth on Section 3.16(d) of the Neptune Disclosure Letter. (ii) No Neptune Entity nor any ERISA Affiliate of any Neptune Entity has, at any time during the preceding six (6) years, contributed to, been required to contribute to or had any liability with respect to any Multiemployer Plan or a plan that has two or more contributing sponsors, at least two of whom are not under common control, within the meaning of Section 4063 of ERISA. (iii) No Neptune Entity nor any ERISA Affiliate of any Neptune Entity has incurred any direct or indirect liability under Title IV of ERISA in connection with the termination of or withdrawal from a Multiemployer Plan which remains unsatisfied.
(e) With respect to each Neptune Benefit Plan or any ongoing, frozen or terminated "single employer plan" within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any Neptune Entity or any affiliate of a Neptune Entity that is subject to Title IV or Section 302 of ERISA or Section 412, 430 or 4971 of the Code: (i) no such plan is in "at-risk" status for purposes of Section 430 of the Code, (ii) no reportable event within the meaning of Section 4043(c) of ERISA for which the 30-day notice requirement has not been waived has occurred, (iii) all premiums required to be paid to the PBGC have been timely paid in full, (iv) the PBGC has not instituted Proceedings to terminate any such Neptune Benefit Plan, (v) to the Knowledge of Neptune, the most recent actuarial report for such Neptune Benefit Plan is accurate in all material respects and (vi) there does not exist any accumulated funding deficiency within the meaning of Section 412 of the Code or Section 302 of ERISA, whether or not waived. During the immediately preceding six (6) years, no liability under Section 302 or Title IV of ERISA has been incurred by any Neptune Entity or any ERISA Affiliate of a Neptune Entity that has not been satisfied in full.
(f) No Event has occurred and, to the Knowledge of Neptune, there currently exists no condition or circumstances that would subject any Neptune Entity to any Controlled Group Liability with respect to any employee benefit plan that is not a Neptune Benefit Plan.
(g) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (either alone or in conjunction with any other event): (i) entitle any current or former employee, officer or director of any Neptune Entity to any payment or benefit (or result in the funding of any such payment or benefit) under any Neptune Benefit Plan; (ii) increase

TABLE OF CONTENTS

the amount of any compensation or benefits otherwise payable by any Neptune Entity under any Neptune Benefit Plan; (iii) result in the acceleration of the time of payment, funding or vesting of any compensation or benefits under any Neptune Benefit Plan; (iv) result in any "excess parachute payment" (within the meaning of Section 280G of the Code) becoming due to any current or former employee, officer or director of any Neptune Entity; or (v) limit or restrict the right of any Neptune Entity to merge, amend or terminate any Neptune Benefit Plan.

(h) No Neptune Entity is a party to, or is otherwise obligated under, any plan, policy, agreement or arrangement that provides for the gross-up or reimbursement of Taxes imposed under Section 409A or 4999 of the Code (or any corresponding provisions of state or local Law relating to Tax).

(i) With respect to each Neptune Benefit Plan sponsored, maintained or contributed to for employees who primarily provide services in jurisdictions outside of the United States (each, a "Neptune Foreign Benefit Plan"), except as would not have, individually or in the aggregate, a Neptune Material Adverse Effect, (i) all contributions required to have been made under such Neptune Foreign Benefit Plans have been timely made and all liabilities thereunder have been properly accrued on the most recent financial statements of the Neptune Entities and (ii) each Neptune Foreign Benefit Plan that is intended to or required by Law to be funded and/or book-reserved is fully funded and/or book reserved, as appropriate, based upon reasonable actuarial assumptions.

(j) Each of the Neptune Entities (i) is in material compliance with all applicable Laws regarding labor and employment, including all Laws relating to employment discrimination, non-retaliation, labor relations, payment of wages and overtime, leaves of absence, employment Tax and social security, occupational health and safety, recordkeeping, and immigration; (ii) has not, any time within the six (6) months preceding the Execution Date, had any "plant closing" or "mass layoff" (as defined by the Worker Adjustment and Retraining Notification Act of 1988 (the "WARN Act")) or other terminations of employees that would create any obligations upon or liabilities for any Neptune Entity under the WARN Act or similar state and local Laws; (iii) is not subject to any material disputes pending, or, to the Knowledge of Neptune, threatened, by any of its prospective, current, or former employees, independent contractors or Governmental Entity relating to the engagement of employees or independent contractors by any Neptune Entity; and (iv) is not subject to any material judgment, order or decree with or relating to any present or former employee, independent contractor or any Governmental Entity relating to claims of discrimination, wage or hour practices, or other claims in respect to employment or labor practices and policies.

(k) Section 3.16(k) of the Neptune Disclosure Letter sets forth a list of each collective bargaining agreement or other agreement between any Neptune Entity and any labor union or similar representative or potential representative of employees. None of the Neptune Entities has experienced any strike, slowdown, work stoppage, boycott, picketing, lockout, or material grievance, claim of unfair labor practices, or other collective bargaining or labor dispute within the past three (3) years and there are no current union representation questions or petitions or organizing campaigns involving employees of any Neptune Entity and, to the Knowledge of Neptune, no such questions, petitions or campaigns are threatened.

3.17 Insurance. Except as would not reasonably be expected to have, individually or in the aggregate, a Neptune Material Adverse Effect, (a) each insurance policy under which the Neptune Entities is an insured or otherwise the principal beneficiary of coverage (collectively, the "Neptune Insurance Policies") is in full force and effect, all premiums due thereon have been paid in full and the Neptune Entities are in compliance with the terms and conditions of such Neptune Insurance Policy; (b) no Neptune Entity is in breach or default under any Neptune Insurance Policy; and (c) no Event has occurred which, with notice or lapse of time, would constitute such breach of default, or permit termination or modification, under any Neptune Insurance Policy.

3.18 Required Vote of the Neptune Stockholders. The Neptune Stockholder Approval is the only vote of holders of securities of Neptune that is required to approve this Agreement and the Transactions.

3.19 State Anti-Takeover Statutes. The Neptune Board, acting through the Transaction Directors, has taken all necessary actions so that the restrictions on business combinations set forth in Section 203 of the DGCL and any other similar applicable Law are not applicable to the Transaction Agreements and the

TABLE OF CONTENTS

transactions contemplated hereby and thereby and that no Holder will become an "interested stockholder" (as defined in such Section) as a result of the Transactions.

3.20 Related Party Transactions. Except for Neptune Benefit Plans, (a) the Neptune Entities are not, directly or indirectly, a party to, and have no continuing obligations under, any agreement (oral or written), arrangement or transaction with, or involving, or have made any commitment to any Neptune Related Person with respect to which the Neptune Entities have or will have, following the Closing Date, any liability and (b) no Affiliate of the Neptune Entities (other than any Neptune Entity) or director or officer of the Neptune Entities has, directly or indirectly, any interest in any asset, right or property (real or personal, tangible or intangible) used by the Neptune Entities (each such matter described in this Section 3.20, a "Related Party Transaction").

3.21 Broker's Fee. Except for the fees payable to Evercore Group L.L.C. (the "Neptune Financial Advisor"), which shall be paid by Neptune, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of any Neptune Entity.

3.22 Opinion of Financial Advisor. The Neptune Board has received the Neptune Fairness Opinion from the Neptune Financial Advisor.

3.23 Information Supplied. None of the information supplied or to be supplied by Neptune for inclusion or incorporation by reference in a proxy statement to be filed in connection with the Merger by Neptune (together with any amendments thereof or supplements thereto, the "Proxy Statement") and any amendment or supplement thereto will, at the date of mailing to stockholders and at the time of the meeting of the stockholders of Neptune to adopt the Merger and approve the Transactions (the "Neptune Stockholder Meeting") contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading.

3.24 Customers and Suppliers. Section 3.24 of the Neptune Disclosure Letter lists the ten (10) largest customers and the ten (10) largest suppliers of Neptune, based on revenues generated during the fiscal year ended October 29, 2017 (as to customers) and expenditures made during the fiscal year ended October 29, 2017 (as to suppliers). As of the date of this Agreement, no customer or supplier listed on Section 3.24 of the Neptune Disclosure Letter has ceased doing business with Neptune and no Neptune Entity has received, from any such customer or supplier, to the Knowledge of Neptune, written notice terminating (or expressly stating the intent to terminate) such customer's or supplier's relationship with any Neptune Entity.

3.25 Warranties/Product Liability.

(a) All products that have been licensed, leased, developed, manufactured, marketed, sold or distributed by any Neptune Entity (the "Neptune Products"), conform with (i) all applicable contractual commitments and all applicable warranties, (ii) the product specifications published by Neptune, and (iii) regulations, certification standards and other requirements of any applicable Governmental Entity or third party, in each case, other than warranty claims in the ordinary course of business consistent with past practice and except as would not reasonably be expected, individually or in the aggregate, to have a Neptune Material Adverse Effect.

(b) Since January 1, 2016, (i) there have not been, and currently are no, defects or deficiencies in the Neptune Products that have had or would reasonably be expected to have a Neptune Material Adverse Effect and (ii) there has not been, nor is there under consideration by any Neptune Entity, any recall, market withdrawal or replacement, safety alert, notification to any Governmental Entity or post-sale warning of a material nature concerning any Neptune Product.

3.26 No Other Representations or Warranties. Except for the representations and warranties contained in Article IV, Neptune agrees and acknowledges that neither Panther nor any Person on behalf of Panther makes any other express or implied representation or warranty with respect to Panther or any of its Subsidiaries or with respect to any other information provided or made available to Neptune in connection with this Agreement or the Transactions, including information conveyed at management presentations, in

TABLE OF CONTENTS

virtual data rooms or in due diligence sessions and, without limiting the foregoing, including any estimates, projections, predictions or other forward-looking information, and Panther shall not have any liability to Neptune resulting from Neptune's reliance on any such information.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PANTHER

Except as (a) disclosed in the Panther SEC Documents publicly filed with or publicly furnished to the SEC on or after January 1, 2017 and prior to the Execution Date (excluding any disclosures included in any "risk factor" or "forward-looking information" section of such Panther SEC Documents) or (b) set forth in the disclosure letter delivered to Neptune on the Execution Date (the "Panther Disclosure Letter"), which identifies items of disclosure by reference to a particular section or subsection of this Agreement (provided that any information set forth in one section of the Panther Disclosure Letter shall be deemed to apply to each other section or subsection thereof or hereof to which its relevance is reasonably apparent), Panther hereby represents and warrants to Neptune as follows:

4.1 Organization; Qualification. Each Panther Entity is an entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. Each Panther Entity (a) has all requisite organizational power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted and (b) is duly qualified, registered or licensed to do business as a foreign entity and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so duly qualified, registered or licensed and in good standing would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect or to prevent, materially delay or materially impair the ability of Panther to perform its obligations under this Agreement or the Transactions. Panther has made available to Neptune true and complete copies of the Organizational Documents of each Panther Entity, as in effect on the Execution Date. There has been no violation of any of the provisions of the Organizational Documents of each Panther Entity, and no Panther Entity has taken any action that is inconsistent in any material respect with any resolution adopted by such entity's members, board of directors or board of managers (or other similar body) or any committee of the board of directors or board of managers (or other similar body) of such entity. Section 4.1 of the Panther Disclosure Letter sets forth each Panther Entity.

4.2 Authority; Enforceability.

(a) Panther has all requisite entity power and authority to execute and deliver this Agreement and the other Transaction Agreements and to consummate the transactions contemplated by this Agreement and the other Transaction Agreements. The execution and delivery by Panther of this Agreement and the other Transaction Agreements and the consummation by Panther of the transactions contemplated by this Agreement and the other Transaction Agreements have been duly and validly authorized by Panther Board, and no other limited liability company proceedings on the part of Panther or its members (including, for the avoidance of doubt, any vote, approval or adoption of or by the members of Panther or holder of securities of Panther) is necessary to authorize this Agreement or the other Transaction Agreements to which Panther is a party or to consummate the transactions contemplated by this Agreement or the other Transaction Agreements to which it is a party. Panther Board has unanimously approved this Agreement and the Transactions. No holder of Panther Equity Interests has any dissenters' rights or similar rights of appraisal relating to the Transactions or the Transaction Agreements.

(b) This Agreement and the other Transaction Agreements have been, or in the case of the Transaction Agreements to be delivered after the Execution Date, will be, duly executed and delivered by Panther and, assuming the due authorization, execution and delivery by Neptune, this Agreement and the other Transaction Agreements to which Panther is a party thereto constitute the valid and binding obligation of Panther, enforceable against Panther in accordance with its terms, except as such enforceability may be limited by Creditors' Rights.

4.3 Non-Contravention. The execution, delivery and performance of this Agreement and the other Transaction Agreements by Panther and the consummation by Panther of the Transactions do not and will not: (a) result in any breach or violation of any provision of the Organizational Documents of any Panther

TABLE OF CONTENTS

Entity; (b) constitute a default (or an Event that with notice or passage of time or both would give rise to a default) under, or give rise to any right of termination, cancellation, amendment or acceleration (with or without the giving of notice, or the passage of time or both) under any of the terms, conditions or provisions of any Contract to which any Panther Entity is a party or by which any property or asset of any Panther Entity is bound or affected; (c) assuming compliance with the matters referred to in Section 4.4, violate any Law to which any Panther Entity is subject or by which any Panther Entity's properties or assets is bound; or (d) constitute (with or without the giving of notice or the passage of time or both) an Event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of any Panther Entity, except, in the cases of clauses (b), (c) and (d) for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances as would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect or to prevent, materially delay or materially impair the ability of Panther to perform its obligations under this Agreement or the consummation of the Transactions.

4.4 Approvals of Governmental Entities and Third Parties. No declaration, filing or registration with, or notice to, or authorization, consent or approval of, any Person or Governmental Entity is necessary for the consummation by any Panther Entity of the Transactions, other than (a) filings and clearances required under the HSR Act the Competition Act of Canada and the Austrian Cartel Act and (c) such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect or to prevent, materially delay or materially impair the ability of Panther to perform its obligations under this Agreement or the Transactions.

4.5 Capitalization.

(a) Section 4.5(a) of the Panther Disclosure Letter sets forth a correct and complete description of the following: (i) all of the authorized, issued and outstanding Equity Interests in each of the Panther Entities; and (ii) the record and beneficial owners of each of the outstanding Equity Interests in each of the Panther Entities as of the Execution Date and the Closing Date. Except as set forth in Section 4.5(a) of the Panther Disclosure Letter, there are no other outstanding Equity Interests of any Panther Entity. All of the issued and outstanding Equity Interests in each of the Panther Entities have been duly authorized and validly issued in accordance with the Organizational Documents of such Panther Entity and are fully paid (to the extent required under the Organizational Documents of such Panther Entity) and nonassessable and have not been issued in violation of any preemptive rights, rights of first refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each of the Panther Entities are owned by the Persons set forth in Section 4.5(a) of the Panther Disclosure Letter named as owning such interests free and clear of all Encumbrances other than (i) transfer restrictions imposed by federal and state securities Laws and (ii) any transfer restrictions contained in the Organizational Documents of the Panther Entities, none of which apply to the Transactions. As of the Execution Date and the Closing Date, Panther owns, directly or indirectly, all of the outstanding Equity Interests in each other Panther Entity free and clear of all Encumbrances other than (A) transfer restrictions imposed by federal and state securities Laws and (B) any transfer restrictions contained in the Organizational Documents of the Panther Entities. There are no outstanding Equity Interests in or of Panther other than the Panther LLC Interests.

(b) Except as set forth in the Organizational Documents of the Panther Entities and except as otherwise provided in Section 4.5(a), there are no preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate any of the Panther Entities to issue or sell any Equity Interests or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any Equity Interests in any of the Panther Entities, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(c) No Panther Entity has any outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the holders of Equity Interests in any Panther Entity on any matter.

TABLE OF CONTENTS
(d) There are no voting trusts or other agreements or understandings to which any Panther Entity is a party with respect to the voting or registration of the limited liability company interest or other Equity Interest of any Panther Entity.
(e) Except with respect to the ownership of any equity or long-term debt securities between or among Panther Entities, none of the Panther Entities owns, directly or indirectly, any equity or long-term debt securities of any Person. No Subsidiary of Panther owns any Equity Interests of Panther.
(f) (i) For each Holder, either (A) Panther has received and transmitted to Neptune an investor questionnaire certifying that such Holder is an Accredited Investor or (B) such Holder has represented in the Panther LLC Agreement that such Holder is an Accredited Investor, and (ii) there are fewer than thirty-five (35) Holders who are not Accredited Investors.
4.6 Compliance with Law. Except for Environmental Laws, Laws requiring the obtaining or maintenance of a Permit, Tax matters, Laws relating to employee benefits, employment and labor matters, and Laws relating to regulatory and compliance matters, which are the subject of Sections 4.11, 4.14, 4.15 and 4.16, respectively, and except as to matters that would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect, (a) each Panther Entity is in compliance with all applicable Laws, (b) no Panther Entity has received written notice from any Governmental Entity of any violation of any applicable Law and (c) none of the Panther Entities has received written notice that it is under investigation by any Governmental Entity for potential noncompliance with any Law.
4.7 Panther SEC Reports; Financial Statements.
(a) Ply Gem Holdings, Inc. timely furnished or timely filed all reports, schedules, forms, statements and other documents (including exhibits and other information incorporated therein) required to be furnished or filed by Panther with the SEC on or after January 1, 2017 (such documents being collectively referred to as the “Panther SEC Documents”). Each Panther SEC Document (i) at the time filed, complied in all material respects with the requirements of the Exchange Act and the Securities Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Panther SEC Document, and (ii) did not contain at the time it was filed (or if amended or superseded by a filing or amendment prior to the Execution Date, then at the time of such filing or amendment) any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
(b) Panther has made available to Neptune copies of the Panther Financial Statements. The Panther Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods presented thereby and fairly present in all material respects the consolidated financial position and operating results, equity and cash flows of the Panther Entities on a consolidated basis, as of, and for the periods ended on, the respective dates thereof, subject, however, in the case of interim financial statements, to normal year-end audit adjustments.
(c) Section 4.7(c) of the Panther Disclosure Letter sets forth a statement of all of the Indebtedness, of the consolidated cash and cash equivalents, and the net debt position, in each case of Panther and the Panther Entities on a consolidated basis as of June 30, 2018, which statement is true, correct and complete in all material respect.
(d) Panther has established and maintains a system of internal control over financial reporting and disclosure controls and procedures (as such terms are defined in Rule 13a-15 or Rule 15d-15, as applicable, under the Exchange Act); such disclosure controls and procedures are sufficient to provide reasonable assurance that: transactions are executed in accordance with management’s general or specific authorizations; transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; access to assets is permitted only in accordance with management’s general or specific authorization; and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Panther’s principal executive officer and its principal financial officer have disclosed, based on their most recent evaluation, to Panther’s auditors and the

audit committee of the Panther Board (x) all significant deficiencies in the design or operation of internal controls of financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that are reasonably likely to adversely affect Panther's ability to record, process, summarize and report financial information and (y) any fraud, known to such officers, whether or not material, that involves management or other employees who have a significant role in Panther's internal controls. The principal executive officer and the principal financial officer of Ply Gem Holdings, Inc. made all certifications required by the Sarbanes-Oxley Act, the Exchange Act and any related rules and regulations promulgated by the SEC with respect to any documents filed by Ply Gem Holdings, Inc. with the SEC since January 1, 2017 that required any such certifications, and the statements contained in such certifications were complete and correct as of the dates they were made.

(e) None of the Panther Entities has any liability, whether accrued, contingent, absolute or otherwise, that would be required to be included in the financial statements of Panther and its consolidated Subsidiaries under GAAP or of any nature, except for (i) liabilities set forth on the consolidated balance sheet dated as of March 31, 2018 or the notes thereto contained in the Panther Financial Statements; (ii) liabilities that have arisen since March 31, 2018, in the ordinary course of business; (iii) liabilities or obligations incurred in connection with the transactions contemplated hereby; and (iv) liabilities which would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect.

4.8 Absence of Certain Changes. Except as expressly contemplated by this Agreement, since March 31, 2018, (a) through the Execution Date, Panther Entities have operated their business in all material respects only in the ordinary course of business and consistent with past practice, (b) through the Execution Date, no Panther Entity has taken or agreed to take any action that, if taken during the period from the Execution Date to the Effective Time, would constitute a breach of Section 5.2(b)(ii), (iii), (iv), (v), (ix), (x), (xi), (xii), (xiii), (xiv) or (xviii) and (c) through the Effective Time, there has not been any Event, occurrence or development which has had, or would be reasonably expected to have, individually or in the aggregate, a Panther Material Adverse Effect.

4.9 Real Property.

(a) Section 4.9(a) of the Panther Disclosure Letter sets forth a true, correct and complete list, as of the date hereof, of all of the real property owned by the Panther Entities (the "Panther Owned Real Property"). The Panther Entities have fee simple, insurable title to all Panther Owned Real Property, free and clear of all Encumbrances, except Permitted Encumbrances. For purposes of the preceding sentence, "insurable title" means such title as a nationally recognized title insurance company would insure subject to its customary standard exclusions and exceptions and other exceptions that would not materially affect the operations of the Panther Entities as conducted on the Panther Owned Real Property as of the date hereof, so long as the insured complies with all obligations of the insured with respect to such title insurance commitment and the insured pays all title insurance and endorsement premiums and all other costs, fees and expenses of the title insurance company. There are no outstanding Contracts, options, rights of first offer or rights of first refusal in favor of any third parties to purchase or otherwise acquire any Panther Owned Real Property or any portion thereof or interest therein.

(b) Section 4.9(b) of the Panther Disclosure Letter sets forth a true, correct and complete list, as of the date hereof, of all of the real property leased or subleased by the Panther Entities (the "Panther Leased Real Property") and each lease or other agreement pursuant to which the Panther Entities lease or otherwise occupy any Panther Leased Real Property (each, together with all amendments, modifications and agreements related thereto, a "Panther Real Property Lease"). A Panther Entity has a valid leasehold or subleasehold (as applicable) interest in all Panther Leased Real Property, free and clear of all Encumbrances, except Permitted Encumbrances. All Panther Real Property Leases are in full force and effect and are enforceable in accordance with their respective terms, subject to the effect of any applicable Laws relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a Proceeding in equity or at Law), except as would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect.

(c) The Panther Entities are not in default or otherwise in breach under any Panther Real Property Lease and, to the Knowledge of Panther, no other party is in default or otherwise in breach thereof, except for breaches or defaults that would not reasonably be expected to be, individually or in the aggregate, material to Panther. No party to any Panther Real Property Lease has notified the Panther Entity party thereto in writing that it is exercising any termination right with respect thereto, and, to the Knowledge of Panther, there is no outstanding dispute, oral agreement or forbearance program in effect with respect to any Panther Real Property Lease, except as would not reasonably be expected to be, individually or in the aggregate, material to Panther. The delivery and execution of this Agreement and the consummation of the transactions contemplated hereby do not require the consent of the landlord or any other Person under any Panther Real Property Lease. Panther has made available to Neptune a true, correct and complete copy of each Panther Real Property Lease.
(d) With respect to each Panther Owned Real Property and each Panther Leased Real Property, except as would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect, (i) the Panther Entities have not leased, subleased or otherwise granted anyone the right to use or occupy any portion thereof, (ii) all improvements thereon that are used or occupied by the Panther Entities are in good operating condition and repair (ordinary wear and tear excepted) and sufficient for the Panther Entities' use or occupancy of such properties and (iii) as of the date hereof, there is no pending or, to the Knowledge of Panther, threatened condemnation or other eminent domain proceeding affecting any portion thereof, nor any sale or other disposition in lieu of condemnation.
4.10 Intellectual Property. Except as would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect:
(a) The Panther Entities own, license, sublicense or otherwise possess legally enforceable rights to use all Intellectual Property necessary to conduct the business of the Panther Entities, as currently conducted (in each case excluding generally commercially available, off-the-shelf software programs).
(b) The execution and delivery of this Agreement by Panther and the consummation by Panther of the Merger will not result in the breach of, or create on behalf of any third party the right to terminate or modify (i) any license, sublicense or other agreement relating to any Intellectual Property owned by any Panther Entities that is material to the business of the Panther Entities, as currently conducted (the "Panther Intellectual Property") or (ii) any license, sublicense and other agreement as to which any Panther Entity is a party and pursuant to which such Panther Entity is authorized to use any third-party Intellectual Property that is material to the business of the Panther Entities, as currently conducted, excluding generally commercially available, off-the-shelf software programs.
(c) All material issued patents and registrations for trademarks, service marks, domain names and copyrights, and related applications, included in the Panther Intellectual Property are set forth on Section 4.10(c) of the Panther Disclosure Letter. The Panther Intellectual Property is subsisting and has not expired, has not been held invalid or unenforceable and has not been cancelled.
(d) To Panther's Knowledge, the conduct of the business of the Panther Entities, as currently conducted, does not infringe, violate or constitute a misappropriation of any valid Intellectual Property of any third party, and has not, since January 1, 2016. Since January 1, 2016, no Panther Entity has received any written claim or notice from any Person (i) alleging any such infringement, violation or misappropriation or (ii) advising that such Person is challenging or threatening to challenge the ownership, use, validity or enforceability of any Panther Intellectual Property.
(e) To Panther's Knowledge, no third party is, or since January 1, 2016 has been, infringing, violating or misappropriating any of Panther Intellectual Property in any material respect.
(f) The Panther Entities have implemented commercially reasonable measures to maintain the validity of the Panther Intellectual Property and the confidentiality of the Panther Intellectual Property of a nature that Panther intends to keep confidential.
(g) The Panther IT Systems are in good repair and operating condition in all material respects and are adequate and suitable for the purposes for which they are being used or held for use. To Panther's Knowledge, the Panther IT Systems do not contain any malware or virus that would reasonably be expected to interfere with the ability of any Panther Entity to conduct its business as currently conducted.

TABLE OF CONTENTS

4.11 Environmental Matters.

(a) Except as to matters that would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect:

(i) each of the Panther Entities and its assets, real properties and operations are and, during the two (2) years preceding the Execution Date, have been, in compliance with all applicable Environmental Laws;

(ii) each of the Panther Entities possesses all Environmental Permits required for their operations as currently conducted and is in compliance with the terms of such Environmental Permits, and such Environmental Permits are in full force and effect and are not subject to any pending or, to the Knowledge of Panther, threatened Proceeding;

(iii) none of the Panther Entities nor any of their properties or operations or any person or entity whose liability any Panther Entity has retained or assumed either contractually or by operation of Law, are subject to any pending or, to the Knowledge of Panther, threatened Proceeding arising under any Environmental Law, nor has any Panther Entity received any written and pending notice, order or complaint from any Person alleging a violation of or liability arising under any Environmental Law; and

(iv) there has been no Release of Hazardous Substances on, at, under, to, or from any of the properties of the Panther Entities or, to the Knowledge of Panther, any offsite properties, or from or in connection with Panther Entities' operations in a manner that would reasonably be expected to give rise to any uninsured liability pursuant to any Environmental Law.

(b) Panther has made available to Neptune complete and accurate copies of all reports, studies, investigations and audits that are in Panther's possession or control, have been prepared within the two (2) years preceding the Execution Date, and that address any (i) condition of the Panther Entities' assets, properties or operations, (ii) non-compliance by any Panther Entity with Environmental Laws or (iii) liabilities that Panther Entities may have incurred pursuant to Environmental Laws, in each case with respect to clauses (i), (ii) and (iii) to the extent that such matter would reasonably be expected to result in a Panther Material Adverse Effect.

(c) Except with respect to Sections 4.7, 4.8 and 4.17, this Section 4.11 represents Panther's sole representations and warranties with respect to environmental matters.

(d) None of the Panther Entities is subject to any judgment, order or decree or any indemnity obligation with any other Person that would reasonably be expected to result in liabilities under applicable Environmental Laws or concerning Hazardous Substances, in each case to the extent that such matter would reasonably be expected to result in a Panther Material Adverse Effect.

4.12 Material Contracts.

(a) As of the Execution Date, except for those Contracts set forth in Section 4.12(a) of the Panther Disclosure Letter and excluding any Panther Benefit Plans, none of the Panther Entities is a party to or bound by any Contract that:

(i) other than any employment agreement, includes as a counterparty or third-party beneficiary any Affiliate of the Panther Entities (other than any Panther Entity) or any director or officer of the Panther Entities, or any of their respective family members or Persons in which any of them have, directly or indirectly, a material interest (any such Person, a "Panther Related Person") (other than Panther Entities);

(ii) contains any provision or covenant which (A) materially restricts any Panther Entity or any Affiliate thereof from engaging in any lawful business activity or competing with any Person, or (B) would, after the Effective Time, materially restrict Neptune and its Affiliates (other than the Panther Entities) from engaging in any lawful business activity or competing with any Person;

(iii) (A) relates to the creation, incurrence, assumption, or guarantee of any Indebtedness by any Panther Entity, (B) creates a capitalized lease obligation or any financial obligation under a hedge, swap or similar agreement (except, in the cases of clauses (A) and (B), any such Contract

TABLE OF CONTENTS

with an aggregate principal amount or current termination value not exceeding $10,000,000 and, except any transactions solely among Panther Entities) or (C) any Contract that obligates Panther or any of its Subsidiaries to make any loans, advances or capital contributions to, or investments in excess of $10,000,000 in, any Person (other than Panther or any of its Subsidiaries);

(iv) other than with respect to any partnership that is wholly owned by the Panther Entities, taken as whole, is in respect of the formation of any partnership, limited liability company agreement or joint venture or otherwise relates to the joint ownership or operation of the assets owned by any Panther Entity that is material to the Panther Entities, taken as a whole;

(v) includes the acquisition or sale of assets with a book value in excess of $5,000,000 (whether by merger, sale of stock, sale of assets or otherwise);

(vi) is an acquisition Contract that contains an "earn-out" or other contingent payment obligations, or remaining indemnity or similar obligations that would be reasonably expected to result in payments after the Execution Date by Panther Entities in excess of $10,000,000 per year;

(vii) relates to any interest rate, derivatives or hedging transactions in the nominal amount of $1,000,000 or more;

(viii) involves a sharing of profits, losses, costs or liabilities by any Panther Entity with any other Person or pursuant to which any Panther Entity has agreed to guarantee the performance obligations of any other Person (other than another Panther Entity);

(ix) otherwise involves the annual payment by or to any Panther Entity of more than $10,000,000 and cannot be terminated by Panther Entities on ninety (90) days' or less notice without payment by Panther Entities of any penalty;

(x) (A) expressly obligates Panther or its Subsidiaries (or following the Closing, the Surviving Corporation or its Subsidiaries) to conduct business with any third party on a preferential or exclusive basis; (B) contains "most favored nation" or similar covenants; or (C) requires Panther or any of its Subsidiaries to "take or pay" with respect to the purchase of any goods or services, in each of clauses (A), (B) and (C), where such obligation, covenant or requirement, respectively, is material to Panther and its Subsidiaries, taken as a whole;

(xi) grants any right of first refusal, right of first offer or similar right with respect to any material assets, rights or properties of Panther or its Subsidiaries;

(xii) is a Panther Real Property Lease;

(xiii) is a Contract with any customer from whom the Panther Entities, together, received revenue in excess of $10,000,000 during fiscal year 2017;

(xiv) is a Contract with any vendor to whom the Panther Entities, together, paid in excess of $10,000,000 during fiscal year 2017;

(xv) requires future capital expenditures in an amount in excess of $10,000,000;

(xvi) is a contract with any Governmental Entity (other than licenses and permits obtained in the ordinary course of business);

(xvii) is an agreement that restricts or grants rights to use or practice rights under Intellectual Property material to the business of the Panther Entities (other than licenses to generally commercially available software programs); or

(xviii) is material to Panther but otherwise not of a type described in clauses (i) through (xvii) above.

(b) Each Contract required to be disclosed pursuant to Section 4.12(a) (collectively, the "Panther Material Contracts") has been made available to Neptune and, except as would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect, each Panther

TABLE OF CONTENTS

Material Contract is a valid and binding obligation of the applicable Panther Entity, and is in full force and effect and enforceable in accordance with its terms against such Panther Entity and, to the Knowledge of Panther, the other parties thereto, except, in each case, as enforcement may be limited by Creditors' Rights.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect, none of the Panther Entities nor any other party to any Panther Material Contract is in default or breach under the terms of any Panther Material Contract and no Event has occurred that with the giving of notice or the passage of time or both would constitute a breach or default by such Panther Entity or, to the Knowledge of Panther, any other party to any Panther Material Contract, or would permit termination, modification or acceleration under any Panther Material Contract.

4.13 Legal Proceedings. Other than with respect to Proceedings arising under Environmental Laws, which are the subject of Section 4.11, or relating to Tax matters, which are the subject of Section 4.15, there are no material Proceedings pending or, to the Knowledge of Panther, threatened against Panther Entities. There is no material judgment, order or decree outstanding against any Panther Entity. To the Knowledge of Panther, as of the Execution Date, no officer or director of any Panther Entity is a defendant in any Proceeding in connection with his or her status as an officer, director or manager of any Panther Entity. No Panther Entity nor any of their respective properties or assets is or are subject to any material judgment, order or decree of a Governmental Entity.

4.14 Permits. Other than with respect to Permits issued pursuant to or required under Environmental Laws, Panther Entities have all Permits as are necessary to use, own and operate their assets in the manner such assets are currently used, owned and operated by Panther Entities, except where the failure to have such Permits would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect.

4.15 Taxes. Except as would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect:

(a) All Tax Returns required to be filed by any of the Panther Entities have been timely filed (taking into account extensions of time for filing), each such Tax Return is complete and correct, and all Taxes that are due and payable from any of the Panther Entities (including Taxes required to be withheld from payments to employees, creditors, equityholders or other Persons) have been paid in full.

(b) There is no written claim (other than claims being contested in good faith through appropriate proceedings and for which adequate reserves have been made in accordance with GAAP) against any of the Panther Entities for any Taxes, and no assessment, deficiency, or adjustment has been asserted or proposed in writing with respect to any Taxes or Tax Returns of any of the Panther Entities.

(c) There are no Encumbrances for Taxes (other than Permitted Encumbrances) on the assets of any Panther Entity.

(d) No audits or other administrative or judicial Proceedings are being conducted, are pending, or have been threatened in writing with respect to any Taxes or Tax Returns of any of the Panther Entities.

(e) There are no outstanding agreements or waivers extending the applicable statutory periods of limitations for the assessment or payment of any Tax by any Panther Entity.

(f) No Panther Entity has requested, has received, or is subject to any written ruling of a taxing authority that will be binding on it for any taxable period beginning on or after the Closing Date or has entered into any "closing agreement" as described in Section 7121 of the Code (or any similar provision of state, local or foreign Law).

(g) None of the Panther Entities (i) has been a member of an affiliated, consolidated, combined, or unitary group (other than a group the common parent of which is or was a Panther Entity) for federal, state, local or foreign Tax purposes, or (ii) is a party to any Tax sharing, Tax allocation or

TABLE OF CONTENTS
similar agreement (other than any Tax sharing or indemnification provisions contained in any agreement (A) solely among Panther Entities or (B) entered into in the ordinary course of business and not primarily relating to Taxes (e.g., leases, credit agreements or other commercial agreements)).
(h) No Panther Entity is liable for the Taxes of any other Person as a result of successor liability or transferee liability (whether pursuant to Treasury Regulations Section 1.1502-6 or any similar provision of state, local, or foreign Law or otherwise).
(i) None of the Panther Entities has participated, or is currently participating, in any “listed transaction” within the meaning of Treasury Regulations Section 1.6011-4(b)(2).
(j) None of the Panther Entities has constituted a “distributing corporation” or a “controlled corporation” (or a successor thereto) in a distribution of stock intended to qualify for tax-free treatment under Section 355(a) of the Code in the two (2) years prior to the date of this Agreement.
(k) Panther is properly classified and, since the date of its formation, has been properly classified, as an association taxable as a corporation for U.S. federal income tax purposes. Panther has taken no position inconsistent with such classification for U.S. federal income tax purposes.
(l) None of the Panther Entities is aware of the existence of any facts, or has taken or agreed to take any action, that could reasonably be expected to prevent the Merger from qualifying as a “reorganization” within the meaning of Section 368(a) of the Code.
Notwithstanding any other provisions of this Agreement to the contrary, the representations and warranties made in this Section 4.15 and in Section 4.16 are the sole and exclusive representations and warranties of the Panther Entities with respect to Taxes.
4.16 Employee Benefits; Employment and Labor Matters.
(a) Section 4.16(a) of the Panther Disclosure Letter contains a true and complete list of each material Panther Benefit Plan. With respect to each material Panther Benefit Plan, true and complete copies of each of the following documents, to the extent applicable, have been made available to Neptune: (i) each Panther Benefit Plan, and (ii) as applicable to each Panther Benefit Plan, (A) the summary plan description; (B) the most recent determination letter (or opinion letter, as applicable); (C) the most recent actuarial report, related trusts, insurance or group annuity Contracts; (D) correspondence to or from any Governmental Entity; (E) administrative service agreements; and (F) each other funding or financing arrangement relating to any plan, including, in each case, all amendments, modifications or supplements thereto.
(b) Except for matters that would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect:
(i) each Panther Benefit Plan has been established, operated and administered in compliance with its terms and applicable Law (including ERISA and the Code);
(ii) as to any Panther Benefit Plan intended to be qualified under Section 401 of the Code, such plan has received a favorable determination letter or opinion letter, as applicable, from the IRS to such effect (or has applied or has time remaining to apply for such letter) and, to the Knowledge of Panther, no Event has occurred since the date of such determination letter that would reasonably be expected to adversely affect the qualified status of any such Panther Benefit Plan;
(iii) all contributions (including employer contributions and employee salary reduction contributions) that are due and owing to each Panther Benefit Plan have been timely paid or accrued in accordance with GAAP; and
(iv) there are no unresolved claims or disputes (pending or threatened) under the terms of, or in connection with, any Panther Benefit Plan other than routine undisputed claims for benefits.
(c) No Panther Entity nor any ERISA Affiliate of any Panther Entity maintains or contributes to an employee welfare benefit plan that provides health or life insurance or other welfare benefits to retired or terminated employees, their spouses or their dependents (other than in accordance with Section 4980B of the Code or for coverage through the end of the month of termination or during an applicable severance period).

TABLE OF CONTENTS

(d) (i) Each Multiemployer Plan to which any Panther Entity or any ERISA Affiliate of any Panther Entity has, at any time during the preceding six (6) years, contributed to, been required to contribute to or had any liability with respect to, is set forth on Section 4.16(d) of the Panther Disclosure Letter. (ii) No Panther Entity nor any ERISA Affiliate of any Panther Entity has, at any time during the preceding six (6) years, contributed to, been required to contribute to or had any liability with respect to any Multiemployer Plan or any plan that has two or more contributing sponsors, at least two (2) of whom are not under common control, within the meaning of Section 4063 of ERISA. (iii) No Panther Entity nor any ERISA Affiliate of any Panther Entity has incurred any direct or indirect liability under Title IV of ERISA in connection with the termination of or withdrawal from a Multiemployer Plan which remains unsatisfied.

(e) With respect to each Panther Benefit Plan or any ongoing, frozen or terminated "single employer plan" within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any Panther Entity or any affiliate of a Panther Entity that is subject to Title IV or Section 302 of ERISA or Section 412, 430 or 4971 of the Code: (i) no such plan is in "at-risk" status for purposes of Section 430 of the Code, (ii) no reportable event within the meaning of Section 4043(c) of ERISA for which the 30-day notice requirement has not been waived has occurred, (iii) all premiums required to be paid to the PBGC have been timely paid in full, (iv) the PBGC has not instituted proceedings to terminate any such Panther Benefit Plan, (v) to the Knowledge of Panther, the most recent actuarial report for such Panther Benefit Plan is accurate in all material respects and (vi) there does not exist any accumulated funding deficiency within the meaning of Section 412 of the Code or Section 302 of ERISA, whether or not waived. During the immediately preceding six (6) years, no liability under Section 302 or Title IV of ERISA has been incurred by any Panther Entity or any ERISA Affiliate of a Panther Entity that has not been satisfied in full.

(f) No Event has occurred and, to the Knowledge of Panther, there currently exists no condition or circumstances that would subject any Panther Entity to any Controlled Group Liability with respect to any employee benefit plan that is not a Panther Benefit Plan.

(g) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (either alone or in conjunction with any other event): (i) entitle any current or former employee, officer or director of any Panther Entity to any payment or benefit (or result in the funding of any such payment or benefit) under any Panther Benefit Plan; (ii) increase the amount of any compensation or benefits otherwise payable by any Panther Entity under any Panther Benefit Plan; (iii) result in the acceleration of the time of payment, funding or vesting of any compensation or benefits under any Panther Benefit Plan; (iv) result in any "excess parachute payment" (within the meaning of Section 280G of the Code) becoming due to any current or former employee, officer or director of any Panther Entity; or (v) limit or restrict the right of any Panther Entity to merge, amend or terminate any Panther Benefit Plan.

(h) No Panther Entity is a party to, or is otherwise obligated under, any plan, policy, agreement or arrangement that provides for the gross-up or reimbursement of Taxes imposed under Section 409A or 4999 of the Code (or any corresponding provisions of state or local Law relating to Tax).

(i) With respect to each Panther Benefit Plan sponsored, maintained or contributed to for employees who primarily provide services in jurisdictions outside of the United States (each, a "Panther Foreign Benefit Plan"), except as would not have, individually or in the aggregate, a Panther Material Adverse Effect, (i) all contributions required to have been made under such Panther Foreign Benefit Plans have been timely made and all liabilities thereunder have been properly accrued on the most recent financial statements of the Panther Entities and (ii) each Panther Foreign Benefit Plan that is intended to or required by Law to be funded and/or book-reserved is fully funded and/or book reserved, as appropriate, based upon reasonable actuarial assumptions.

(j) Each of the Panther Entities (i) is in material compliance with all applicable Laws regarding labor and employment, including all Laws relating to employment discrimination, non-retaliation, labor relations, payment of wages and overtime, leaves of absence, employment Tax and social security, occupational health and safety, recordkeeping, and immigration; (ii) has not, any time within the six (6) months preceding the Execution Date, had any "plant closing" or "mass layoff" (as defined by the

TABLE OF CONTENTS

WARN Act) or other terminations of employees that would create any obligations upon or liabilities for any Panther Entity under the WARN Act or similar state and local laws; (iii) is not subject to any material disputes pending, or, to the Knowledge of Panther, threatened, by any of its prospective, current, or former employees, independent contractors or Governmental Entity relating to the engagement of employees or independent contractors by any Panther Entity; and (iv) is not subject to any material judgment, order or decree with or relating to any present or former employee, independent contractor or any Governmental Entity relating to claims of discrimination, wage or hour practices, or other claims in respect to employment or labor practices and policies.

(k) Section 4.16(k) of the Panther Disclosure Letters sets forth a list of each collective bargaining agreement or other agreement between any Panther Entity and any labor union or similar representative or potential representative of employees. None of the Panther Entities experienced have any strike, slowdown, work stoppage, boycott, picketing, lockout, or material grievance, claim of unfair labor practices, or other collective bargaining or labor dispute within the past three (3) years and there are no current union representation questions or petitions or organizing campaigns involving employees of any Panther Entity and, to the Knowledge of Panther, no such questions, petitions or campaigns are threatened.

4.17 Insurance. Except as would not reasonably be expected to have, individually or in the aggregate, a Panther Material Adverse Effect, (a) each insurance policy under which Panther Entities is an insured or otherwise the principal beneficiary of coverage (collectively, the “Panther Insurance Policies”) is in full force and effect, all premiums due thereon have been paid in full and Panther Entities are in compliance with the terms and conditions of such Panther Insurance Policy; (b) no Panther Entity is in breach or default under any Panther Insurance Policy; and (c) no Event has occurred which, with notice or lapse of time, would constitute such breach of default, or permit termination or modification, under any Panther Insurance Policy.

4.18 Related Party Matters. Except for Panther Benefit Plans and through ownership of Panther LLC Interests, (a) Panther Entities are not, directly or indirectly, parties to, and have no continuing obligations under, any agreement (oral or written), arrangement or transaction with, or involving, or have made any commitment to any Panther Related Person with respect to which Panther Entities have or will have, following the Closing Date, any liability and (b) no Affiliate of the Panther Entities (other than any Panther Entity) or director or officer of the Panther Entities has, directly or indirectly, any interest in any asset, right or property (real or personal, tangible or intangible) used by Panther Entities or used in the conduct of the Panther business.

4.19 Broker’s Fee. Except for the fees payable to Credit Suisse Securities (USA) LLC, which shall be paid by Panther, no broker, investment banker, financial advisor or other Person is entitled to any broker’s, finder’s, financial advisor’s or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of any Panther Entity.

4.20 Information Supplied. None of the information supplied or to be supplied by Panther for inclusion or incorporation by reference in the Proxy Statement and any amendment or supplement thereto will, at the date of mailing to stockholders and at the time of the Neptune Stockholder Meeting contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading.

4.21 Customers and Suppliers. Section 4.21 of the Panther Disclosure Letter lists the ten (10) largest customers and the ten (10) largest suppliers of Panther, based on revenues generated during the fiscal year ended December 31, 2017 (as to customers) and expenditures made during the fiscal year ended December 31, 2017 (as to suppliers). As of the date of this Agreement, no customer or supplier listed on Section 4.21 of the Panther Disclosure Letter has ceased doing business with Panther and no Panther Entity has received, from any such customer or supplier, to the Knowledge of Panther, written notice terminating (or expressly stating the intent to terminate) such customer’s or supplier’s relationship with any Panther Entity.

4.22 Financing. A true and complete copy of the Debt Commitment Letter as in effect as of the date hereof has been provided to Neptune, together with a true and complete copy of the fee letter relating to the Debt Commitment Letter (the "Fee Letter"). As of the date hereof, the Debt Commitment Letter and the Fee Letter are in full force and effect and are the legal, valid and binding enforceable obligation of Panther Midco, and, to the knowledge of Panther, each of the parties thereto, in accordance with the terms and conditions thereof, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies. As of the date hereof, and after giving pro forma effect to the consummation of the transactions contemplated by this Agreement and the Debt Commitment Letter, assuming that the Payment Condition (as defined in the Existing Panther ABL Credit Facility) is met on the Closing Date, the consummation of the Financing on the terms set forth in the Debt Commitment Letter will not conflict with the Existing Panther Credit Facilities or the Existing Panther Indenture. As of the date hereof, (a) no event has occurred, which, with or without notice or lapse of time or both, would or would reasonably be expected to constitute a default or breach on the part of Panther Midco or, to the knowledge of Panther, any other party thereto under the Debt Commitment Letter or the Fee Letter and (b) assuming the truth and accuracy of the representations set forth in Article III, Panther has no reason to believe that it will be unable to satisfy the conditions precedent to the consummation of the Financing contained in the Debt Commitment Letter to be satisfied by it.

4.23 Warranties/Product Liabilities.

(a) All products that have been licensed, leased, developed, manufactured, marketed, sold or distributed by any Panther Entity (the "Panther Products"); conform with (i) all applicable contractual commitments and all applicable warranties; (ii) the product specifications published by Panther; and (iii) regulations, certification standards and other requirements of any applicable Governmental Entity or third party, in each case, other than warranty claims in the ordinary course of business consistent with past practice and, except as would not reasonably be expected, individually or in the aggregate, to have a Panther Material Adverse Effect.

(b) Since January 1, 2016, (i) there have not been, and currently are no, defects or deficiencies in the Panther Products that have had or would reasonably be expected to have a Panther Material Adverse Effect and (ii) there has not been, nor is there under consideration by any Panther Entity, any recall, market withdrawal or replacement, safety alert, notification to any Governmental Entity or post-sale warning of a material nature concerning any Panther Product.

4.24 No Other Representations or Warranties. Except for the representations and warranties contained in Article III, Panther agrees and acknowledges that neither Neptune, nor any Person on behalf of the Neptune, makes any other express or implied representation or warranty with respect to Neptune or any of its Subsidiaries or with respect to any other information provided or made available to Panther in connection with this Agreement and the Transactions, including information conveyed at management presentations, in virtual data rooms or in due diligence sessions and, without limiting the foregoing, including any estimates, projections, predictions or other forward-looking information, and Neptune shall not have any liability to Panther resulting from Panther's reliance on any such information.

ARTICLE V

CERTAIN PRE-CLOSING COVENANTS

5.1 Conduct of Business of Neptune.

(a) Neptune covenants and agrees as to itself and its Subsidiaries that, from the Execution Date and continuing until the earlier of the Effective Time and the termination of this Agreement, except (1) as expressly permitted by this Agreement, (2) as set forth in Section 5.1(a) of the Neptune Disclosure Letter, or (3) to the extent Panther shall otherwise consent in writing (which consent shall not be unreasonably withheld, conditioned or delayed), Neptune shall and shall cause the Neptune Entities to conduct their respective businesses in the ordinary course of business consistent with past practice and use reasonable best efforts to (i) maintain and preserve intact its business organization, (ii) keep available the services of key employees and (iii) maintain satisfactory relationships with customers and suppliers.

(b) Without limiting the generality of this Section 5.1, and, except (1) as expressly permitted by this Agreement, (2) as set forth in Section 5.1(b) of the Neptune Disclosure Letter, (3) as required by Law or the regulations or requirements of any stock exchange or regulatory organization applicable to

TABLE OF CONTENTS

Neptune or any of its Subsidiaries, or (4) to the extent Panther shall otherwise consent in writing (which consent shall not be unreasonably withheld, conditioned or delayed), from the Execution Date and continuing until the earlier of the Effective Time and the termination of this Agreement, Neptune shall not, and shall not authorize or permit any of its Subsidiaries to:

(i) in the case of Neptune, make any change or amendment, or in the case of any Subsidiary of Neptune, make any material change or amendment, to its Organizational Documents;

(ii) make any acquisition of any other Person or business (whether by merger, business combination or otherwise), or purchase any securities or ownership interests or assets of, or make any investment in or loans to any Person, in each case in excess of $2,000,000, other than (A) ordinary course acquisitions of inventory and equipment, (B) ordinary course overnight investments consistent with the cash management policies of Neptune, (C) intercompany capital contributions or loans solely among Neptune and/or its wholly owned Subsidiaries, (D) travel advances in the ordinary course of business to employees of any Neptune Entity or (E) extensions of trade credit in the ordinary course of business;

(iii) make aggregate capital expenditures (A) in excess of one hundred and ten percent (110%) of (1) with respect to the fiscal year ending October 29, 2018, Neptune's 2018 capital budget and (2) with respect to the time period from and after October 30, 2018, as set forth on Section 5.1(b)(iii) of the Neptune Disclosure Letter, or (B) except as required on an emergency basis or for the safety of individuals or the environment;

(iv) other than in the ordinary course of business consistent with past practice, (A) make, change or revoke any material Tax election, but excluding any election that must be made periodically and is made consistent with past practice; (B) make, change or revoke any election of Neptune or any of its Subsidiaries under Treasury Regulation Section 301.7701-3 (or any analogous election under state or local Law); (C) change any material method of Tax accounting; or (D) settle or compromise any material Tax Proceeding for an amount materially in excess of the amounts accrued or reserved with respect thereto in the Neptune Financial Statements;

(v) authorize, establish a record date for, declare or pay any dividends or other distribution (in cash, stock or other equity, property or a combination thereof) in respect of any of its capital stock or other Equity Interests except the declaration and payment of dividends or distributions from any direct or indirect wholly owned Subsidiary of Neptune to Neptune or any other wholly owned Subsidiary thereof;

(vi) split, combine or reclassify any shares of its capital stock or other Equity Interests or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for, its capital stock or other Equity Interests, except for any such transaction by a direct or indirect wholly owned Subsidiary of Neptune that remains a direct or indirect wholly owned Subsidiary of Neptune or any of its Subsidiaries after consummation of such transaction;

(vii) repurchase, redeem or otherwise acquire any of its capital stock or other Equity Interests or any securities convertible into or exercisable for any capital stock or other Equity Interests, other than the acceptance of shares of Neptune Common Stock as payment for the exercise price of Neptune Stock Options or for withholding Taxes incurred in connection with the exercise, vesting or settlement of Neptune Equity Awards and dividend equivalents thereon;

(viii) issue, deliver, sell, pledge or dispose of, or authorize the issuance, delivery, sale, pledge or disposition of, any (A) Equity Interests of any class, (B) debt securities having the right to vote on any matters on which holders of capital stock or members or partners of the same issuer may vote or (C) securities convertible into or exercisable for, or any rights, warrants, calls or options to acquire, any such securities, other than issuances by a direct or indirect wholly owned Subsidiary of Neptune of Equity Interests to Neptune or any other direct or indirect wholly owned Subsidiary of Neptune, or sell, pledge or dispose of any Equity Interest in (or other interest that is convertible or exchangeable into any equity interest in) Neptune or any of its Subsidiaries, in each case, excluding (1) the issuance of shares of Neptune Common Stock in respect of the exercise or settlement of Neptune Equity Awards that are outstanding on the Execution Date or granted

TABLE OF CONTENTS

thereafter in accordance with clause (2) of this Section 5.1(b)(viii) in accordance with their terms and (2) grants of Neptune Equity Awards made in the ordinary course of business, consistent with past practice and consistent with the terms set forth on Section 5.1(b)(viii) of the Neptune Disclosure Letter;

(ix) sell, assign, lease, transfer or otherwise dispose of in any material respect any of its material assets or properties (including any Equity Interests in any other Person), other than (A) sales of inventory and obsolete equipment in the ordinary course of business by Neptune or any of its Subsidiaries and (B) transactions between or among Neptune Entities;

(x) settle or compromise any litigation or other legal proceedings, other than any settlement or compromise where the amount paid or to be paid by any Neptune Entity (A) is covered by insurance coverage maintained by a Neptune Entity, (B) is less than or equal to the amount reserved therefore or reflected on the balance sheet included in the Neptune Financial Statements, (C) is less than or equal to $2,000,000 individually or $5,000,000 in the aggregate or (D) is comprised of any combination of the foregoing, except, in the case of clauses (A), (B), (C), and (D) of this paragraph (x), relating to Taxes;

(xi) redeem, repurchase, prepay, create, incur, guarantee, assume or otherwise become liable for any Indebtedness (directly, contingently or otherwise), other than (A) repayment and incurrence of Indebtedness under the revolving facilities under the Existing Neptune Credit Facilities in the ordinary course of business; provided that the amount of Indebtedness outstanding under the Existing Neptune Credit Facilities shall not exceed $500 million in the aggregate at any time; (B) any repayment or incurrence of Indebtedness solely among Neptune and/or any Subsidiaries thereof; and (C) repayments in accordance with contractual obligations in effect as of the date hereof;

(xii) merge with or into, or consolidate with, any other Person or acquire all or substantially all of the business or assets of any other Person, except for transactions between Neptune and any direct or indirect wholly owned Subsidiary of Neptune or between direct or indirect wholly owned Subsidiaries of Neptune;

(xiii) take any action with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other winding up;

(xiv) change or modify any material accounting policies, except as required by GAAP;

(xv) except as required by the existing terms of any Neptune Benefit Plan in existence as of the date hereof or in the ordinary course of business consistent with past practice, and subject to the limitations set forth on Section 5.1(b)(xv) of the Neptune Disclosure Letter, (A) increase the compensation or benefits payable or to become payable to any of its directors, officers, employees or individual independent contractors, (B) grant to any of its directors, officers, employees or individual independent contractors any increase in severance or termination pay, (C) pay or award, or commit to pay or award, any bonuses or incentive compensation, (D) enter into any employment, severance, change of control or retention agreement (excluding offer letters that provide for no severance or change of control benefits) with any of its directors, officers, employees or individual independent contractors, (E) hire, retain or terminate the services of any employee or individual independent contractor, (F) establish, adopt, enter into, amend or terminate any collective bargaining agreement or other agreement with a labor union or representative of employees or Neptune Benefit Plan or (G) take any action to accelerate any payment or benefit, or the funding of any payment or benefit, payable or to become payable to any of its directors, officers, employees or individual independent contractors;

(xvi) except in the ordinary course of business, (A) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any Neptune Material Contracts; (B) enter into a Contract after the Execution Date that would be a Neptune Material Contract described in Section 3.12(a) if entered into prior to the Execution Date; or (C) waive any default by, or release, settle or compromise any claim against, any other party to a Neptune Material Contract;

TABLE OF CONTENTS

(xvii) enter into or consummate any Related Party Transaction;

(xviii) enter into a material line of business outside of the business of the Neptune Entities conducted as of the Execution Date; or

(xix) agree or commit to take any of the actions described above.

5.2 Conduct of Business by Panther.

(a) Panther covenants and agrees as to itself and its Subsidiaries that, from the Execution Date and continuing until the earlier of the Effective Time and the termination of this Agreement, except (1) as expressly permitted by this Agreement, (2) as set forth in Section 5.2(a) of the Panther Disclosure Letter or (3) to the extent Neptune shall otherwise consent in writing (which consent shall not be unreasonably withheld, conditioned or delayed), Panther shall and shall cause each Panther Entity to conduct their respective businesses in the ordinary course of business consistent with past practice and use reasonable best efforts to (i) maintain and preserve intact its business organization, (ii) keep available the services of key employees and (iii) maintain satisfactory relationships with customers, suppliers and distributors.

(b) Without limiting the generality of this Section 5.2, and, except (1) as expressly permitted by this Agreement, (2) as set forth in Section 5.2(b) of the Panther Disclosure Letter, (3) as required by Law or the regulations or requirements of any stock exchange or regulatory organization applicable to Panther or any of its Subsidiaries or (4) to the extent Neptune shall otherwise consent in writing (which consent shall not be unreasonably withheld, conditioned or delayed) from the Execution Date and continuing until the earlier of the Effective Time and the termination of this Agreement, Panther shall not, and shall not authorize or permit any of its Subsidiaries to:

(i) make any change or amendment to its Organizational Documents;

(ii) make any acquisition of any other Person or business (whether by merger, business combination or otherwise), or purchase any Equity Interests or ownership interests or assets of, or make any investment in or loans to any Person, in each case, in excess of $2,000,000, other than (A) ordinary course acquisitions of inventory and equipment, (B) ordinary course overnight investments consistent with the cash management policies of Panther, (C) intercompany capital contributions or loans solely among Panther and/or its wholly owned Subsidiaries, (D) travel advances in the ordinary course of business to employees of any Panther Entity or (E) extensions of trade credit in the ordinary course of business;

(iii) make aggregate capital expenditures in excess of one hundred and ten percent (110%) of Panther’s 2018 capital budget, which is set forth in Section 5.2(b)(iii) of the Panther Disclosure Letter, or except as required on an emergency basis or for the safety of individuals or the environment;

(iv) other than in the ordinary course of business consistent with past practice, (A) make, change or revoke any material Tax election, but excluding any election that must be made periodically and is made consistent with past practice, (B) make, change or revoke any election of Panther or any of its Subsidiaries under Treasury Regulations Section 301.7701-3 (or any analogous election under state or local law); (C) change any material method of Tax accounting; or (D) settle or compromise any material Tax Proceeding for an amount materially in excess of the amounts accrued or reserved with respect thereto in the Panther Financial Statements;

(v) authorize, establish a record date for, declare, make or pay any dividends or other distribution (in cash, stock or other equity, property or a combination thereof) in respect of its capital stock or other Equity Interests, except the declaration and payment of dividends or distributions from any direct or indirect wholly owned Subsidiary of Panther to Panther or any other wholly owned Subsidiary thereof;

(vi) split, combine or reclassify any shares of its Equity Interests or issue or authorize the issuance of any Equity Interests in respect of, in lieu of or in substitution for, its Equity Interests, except for any such transaction by a direct or indirect wholly owned Subsidiary of Panther that remains a direct or indirect wholly owned Subsidiary of Panther or any of its Subsidiaries after consummation of such transaction;

TABLE OF CONTENTS

(vii) repurchase, redeem or otherwise acquire any of its Equity Interests any securities convertible into or exercisable for any Equity Interests;

(viii) issue, deliver, sell, pledge or dispose of, or authorize the issuance, delivery, sale, pledge or disposition of, any (A) Equity Interests, (B) debt securities having the right to vote on any matters on which holders of capital stock or members or partners of the same issuer may vote or (C) securities convertible into or exercisable for, or any rights, warrants, calls or options to acquire, any such securities, other than issuances by a direct or indirect wholly owned Subsidiary of Panther of Equity Interests to Panther or any other direct or indirect wholly owned Subsidiary of Panther; or sell, pledge or dispose of any Equity Interest in (or other interest that is convertible or exchangeable into any Equity Interest in) Panther or any of its Subsidiaries;

(ix) sell, assign, lease, transfer or otherwise dispose of in any material respect any of its material assets or properties (including any Equity Interests in any other Person), other than (A) sales of inventory and obsolete equipment in the ordinary course of business by Panther or any of its Subsidiaries and (B) transactions between or among Panther Entities;

(x) settle or compromise any litigation or other legal proceedings, other than any settlement or compromise where the amount paid or to be paid by any Panther Entity (A) is covered by insurance coverage maintained by a Panther Entity, (B) is less than or equal to the amount reserved therefore or reflected on the balance sheet included in the Panther Financial Statements, (C) is less than or equal to $2,000,000 individually or $5,000,000 in the aggregate or (D) is comprised of any combination of the foregoing, except, in the case of clauses (A), (B), (C), and (D) of this paragraph (x), relating to Taxes;

(xi) redeem, repurchase, prepay, create, incur, guarantee, assume or otherwise become liable for any Indebtedness (directly, contingently or otherwise), other than (A) repayment and incurrence of Indebtedness under the revolving facilities of the Existing Panther Credit Facilities in the ordinary course of business; provided that any such repayment or incurrence does not prevent or preclude the satisfaction of the Payment Condition (as defined in the Existing Panther ABL Credit Facility) on, or as of, the Closing Date; (B) any repayment or incurrence of Indebtedness solely among Panther and/or any Subsidiaries thereof and (C) repayments in accordance with contractual obligations in effect as of the date hereof;

(xii) merge with or into, or consolidate with, any other Person or acquire all or substantially all of the business or assets of any other Person, except for transactions between Panther and any direct or indirect wholly owned Subsidiary of Panther or between direct or indirect wholly owned Subsidiaries of Panther;

(xiii) take any action with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other winding up;

(xiv) change or modify any material accounting policies, except as required by GAAP;

(xv) except as required by the existing terms of any Panther Benefit Plan in existence as of the date hereof or in the ordinary course of business consistent with past practice, and subject to the limitations set forth on Section 5.2(b)(xv) of the Company Disclosure Letter, (A) increase the compensation or benefits payable or to become payable to any of its directors, officers, employees or individual independent contractors, (B) grant to any of its directors, officers, employees or individual independent contractors any increase in severance or termination pay, (C) pay or award, or commit to pay or award, any bonuses or incentive compensation, (D) enter into any employment, severance, change of control or retention agreement (excluding offer letters that provide for no severance or change of control benefits) with any of its directors, officers, employees or individual independent contractors, (E) hire, retain or terminate the services of any employee or individual independent contractor, (F) establish, adopt, enter into, amend or terminate any collective bargaining agreement or other agreement with a labor union or representative of employees or Panther Benefit Plan or (G) take any action to accelerate any payment or benefit, or the funding of any payment or benefit, payable or to become payable to any of its directors, officers, employees or individual independent contractors;

TABLE OF CONTENTS
(xvi) except (A) in the ordinary course of business or (B) in accordance with the Debt Commitment Letter in furtherance of the Transactions (as defined herein or in the Debt Commitment Letter), (1) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any Panther Material Contracts; (2) enter into a Contract after the Execution Date that would be a Panther Material Contract described in Section 4.12(a) if entered into prior to the Execution Date; or (3) waive any default by, or release, settle or compromise any claim against, any other party to a Panther Material Contract;
(xvii) enter into or consummate any Related Party Transaction;
(xviii) enter into a material line of business outside of the business of the Panther Entities conducted as of the Execution Date; or
(xix) agree or commit to take any of the actions described above.
ARTICLE VI
ADDITIONAL AGREEMENTS
6.1 No Solicitation.
(a) Neptune shall, and shall cause each of the other Neptune Entities and direct its Representatives to, (i) immediately cease any and all activities, discussions or negotiations that commenced prior to the date of this Agreement and were ongoing as of the Execution Date with respect to a Neptune Alternative Proposal made or received prior to the date hereof and (ii) promptly deliver written notice to each Person with whom Neptune was engaged in any such discussions or negotiations regarding a Neptune Alternative Proposal during the prior year (A) informing such Person that Neptune is immediately terminating all activities, discussions and negotiations with respect to any Neptune Alternative Proposal and (B) directing that all such Persons and their Representatives return or destroy all copies of confidential information previously provided to such parties by any Neptune Entity or its respective Representatives to the extent any confidentiality agreement with such Person so provides or allows. Except as otherwise expressly permitted by this Section 6.1, from and after the Execution Date until the Effective Time or, if earlier, the valid termination of this Agreement in accordance with Article VIII hereof, Neptune shall not, and shall cause the other Neptune Entities and its and their Representatives not to, directly or indirectly:
(i) solicit, initiate or knowingly facilitate or encourage any inquiry, proposal or offer from any Person relating to, or that could reasonably be expected to lead to, a Neptune Alternative Proposal;
(ii) engage or participate in any discussions or negotiations with, or provide any nonpublic information or access to the business, properties, assets, books or records of the Neptune Entities to, or cooperate with, assist or facilitate any efforts by, any Person relating to or in connection with, or that was intended to and could reasonably be expected to lead to, a Neptune Alternative Proposal;
(iii) accept any proposal or offer from any Person relating to a Neptune Alternative Proposal;
(iv) approve, adopt, execute, enter into or recommend any contract, term sheet, letter of intent or similar agreement with any Person (other than the Sponsor, Panther or another Affiliate of the Sponsor) relating to or in connection with a Neptune Alternative Proposal (other than a confidentiality agreement as provided in Section 6.1(d)(i));
(v) amend or grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Neptune Entities, unless the Special Committee reasonably determines in good faith, after consultation with its outside legal counsel, that the failure of the Neptune Board to amend or grant any such waiver or release would be inconsistent with the Neptune Board’s fiduciary duties under applicable Law; or
(vi) resolve, agree or publicly propose to, or permit Neptune or any of its Subsidiaries or any of its Representatives to agree or publicly propose to, take any of the actions referred to in clauses (i) – (v).

TABLE OF CONTENTS

(b) Except as expressly permitted in and in accordance with the terms of Section 6.1(d), the Neptune Board (acting through the Transaction Directors) or any committee thereof shall not (i) fail to include the Neptune Recommendation in the Proxy Statement, (ii) amend, withdraw, modify or qualify or propose publicly to amend, withdraw, modify or qualify, in a manner adverse to Panther, the Neptune Recommendation, (iii) recommend, adopt, authorize, endorse, declare advisable or approve, or propose publicly to recommend, adopt, authorize, endorse, declare advisable or approve, any Neptune Alternative Proposal or (iv) recommend acceptance of any tender or exchange offer for any outstanding capital stock of Neptune or any of its Subsidiaries (the taking of any action described in this Section 6.1(b) being referred to as a "Neptune Recommendation Change").

(c) From and after the Execution Date, Neptune shall promptly (and in each case within twenty-four (24) hours thereof) advise Panther of the receipt by any Neptune Entities or any of their respective Representatives of any Neptune Alternative Proposal made on or after the Execution Date, any inquiry or proposal that could reasonably be expected to lead to a Neptune Alternative Proposal, any request for nonpublic information or data relating to Neptune or any its Subsidiaries made by any Person in connection with a Neptune Alternative Proposal and any request for discussions or negotiations with any Neptune Entity or a Representative of a Neptune Entity relating to, or that could reasonably be expected to lead to, a Neptune Alternative Proposal (in each case within twenty-four (24) hours thereof), and Neptune shall provide to Panther (within such twenty-four (24) hour time frame) (i) if such Neptune Alternative Proposal, inquiry, proposal or request is in writing, a copy of any such Neptune Alternative Proposal, inquiry, proposal or request made in writing and (ii) if such Neptune Alternative Proposal, inquiry, proposal or request is oral, a written summary of the material terms of such Neptune Alternative Proposal, inquiry, proposal or request (including the identity of the Person making such Neptune Alternative Proposal, inquiry, proposal or request). Neptune shall keep Panther reasonably informed on a reasonably current basis with respect to the status and material terms of any such Neptune Alternative Proposal, inquiry, proposal or request and any material changes to the status of any such discussions or negotiations.

(d) From and after the Execution Date and prior to the receipt of the Neptune Statutory Approval, Neptune, directly or indirectly through one or more of its Representatives, may act as follows:

(i) in response to a bona fide written Neptune Alternative Proposal made after the Execution Date that did not result from a breach of this Section 6.1, Neptune or its Representatives may contact the Person or its Representatives making such Neptune Alternative Proposal to clarify the terms and condition thereof, and (A) furnish information about Neptune Entities to the Person making such Neptune Alternative Proposal and (B) participate or engage in discussions or negotiations with such Person and such Person's Representatives and its potential financing sources regarding such Neptune Alternative Proposal; provided, however, that (x) no nonpublic information may be furnished to such Person until Neptune receives an executed confidentiality agreement from such Person containing limitations on the use and disclosure of nonpublic information furnished to such Person by or on behalf of Neptune that are no less favorable to Neptune in the aggregate than the terms of the Confidentiality Agreement; provided, further, that Panther (1) as promptly as practicable and prior to Neptune or its Subsidiaries providing any nonpublic information, is provided with a copy of such executed confidentiality agreement and (2) is provided with any nonpublic information (or access with respect thereto), which was not previously furnished to Panther, substantially concurrently as Neptune or its Subsidiaries furnish any such nonpublic information to such other Person and (y) prior to taking any actions pursuant to this Section 6.1(d)(i), the Special Committee determines in good faith, after consultation with its financial advisors and legal counsel, that such Neptune Alternative Proposal is, or would reasonably be expected to lead to, a Neptune Superior Proposal; and

(ii) in response to a bona fide written Neptune Alternative Proposal received by Neptune after the Execution Date that did not result from a breach of this Section 6.1, the Neptune Board (acting through the Transaction Directors) or the Special Committee may (A) effect a Neptune Recommendation Change or (B) terminate this Agreement pursuant to Section 8.1(f), if prior to taking either such action the Special Committee reasonably determines in good faith after

TABLE OF CONTENTS

consultation with its financial advisors and outside legal counsel that such Neptune Alternative Proposal is a Neptune Superior Proposal; provided, however, that prior to effecting such Neptune Recommendation Change or terminating this Agreement pursuant to Section 8.1(f), (1) Neptune shall have given at least five (5) Business Days' prior written notice to Panther that Neptune has received such proposal, specifying the material terms and conditions of such proposal (including a copy of the most current version of the proposed agreement under which such Neptune Superior Proposal is proposed to be consummated and any other material documents (including financing commitments, if any) and correspondence in respect thereof, including the identity of the Person making such proposal), and, that Neptune intends to take such action at the end of the notice period, which notice shall specify the basis for such Neptune Recommendation Change (such notice being referred to herein as a "Neptune SP Recommendation Change Notice"), and (2) following such five (5)-Business Day period, the Special Committee after taking into account in good faith any revisions to the terms of this Agreement committed to in writing by Panther and, after consultation with its financial advisors and outside legal counsel, shall have determined in good faith that the Neptune Alternative Proposal remains a Neptune Superior Proposal; each time material modifications to the terms of a Neptune Alternative Proposal determined to be a Neptune Superior Proposal are made a new Neptune SP Recommendation Change Notice shall be required, and in such case, the time periods specified in the foregoing clauses (1) and (2) with respect to the new notice shall be three (3) Business Days.

(iii) the Neptune Board (acting through the Transaction Directors) or the Special Committee may make a Neptune Recommendation Change of the type described in clause (i) or (ii) of the definition thereof in response to a Neptune Intervening Event if prior to taking such action the Special Committee reasonably determines in good faith, after consultation with its financial advisors and outside legal counsel, that the failure of the Neptune Board or the Special Committee to make such Neptune Recommendation Change would be inconsistent with the Neptune Board's or the Special Committee's fiduciary duties under applicable Law; provided, however, that prior to effecting such Neptune Recommendation Change (A) Neptune shall have given Panther at least five (5) Business Days' prior written notice informing Panther that Neptune has determined that a Neptune Intervening Event has occurred or arisen (which notice will reasonably describe such Neptune Intervening Event) and Neptune intends to effect a Neptune Recommendation Change at the end of the notice period (such notice being referred to herein as a "Neptune Recommendation Change Notice"), (B) during the five (5)-Business Day period starting after the date on which such Neptune Recommendation Change Notice is received, if requested by Panther, Neptune shall, and shall cause its Subsidiaries and Representatives to, negotiate in good faith with Panther and Panther's Representatives (to the extent Panther wishes to negotiate), which may be on a nonexclusive basis with respect to negotiations or discussions permitted by this Section 6.1, to revise the terms and conditions of this Agreement such that a failure of the Neptune Board or the Special Committee to effect such a Neptune Recommendation Change in response to such Neptune Intervening Event would not be inconsistent with the Neptune Board's or the Special Committee's fiduciary duties under applicable Law and (C) following such five (5)-Business Day period after the date of the Neptune Recommendation Change Notice, the Special Committee after taking into account in good faith any changes to the terms of this Agreement proposed by Panther and, after consultation with its financial advisors and outside legal counsel, shall have reasonably determined in good faith that the failure to effect such a Neptune Recommendation Change would be inconsistent with the Neptune Board's or the Special Committee's fiduciary duties under applicable Law.

(e) Nothing contained in this Section 6.1 shall prohibit the Company or the Neptune Board from (i) taking and disclosing to the stockholders of the Company a position contemplated by Rule 14e-2(a) or Rule 14d-9 promulgated under the Exchange Act, (ii) making any disclosure to the stockholders of the Company that is required by Law or (iii) making any "stop, look and listen" communication to the stockholders of the Company pursuant to Rule 14d-9(f) under the Exchange Act; provided, however, that this Section 6.1(e) shall not be deemed to permit the Neptune Board to make a Neptune Recommendation Change other than in accordance with Section 6.1(b) or Section 6.1(d).

(f) From and after the Execution Date, Panther and the Sponsor (i) shall, and shall cause their respective Affiliates and Representatives to, immediately terminate any and all activities, discussions or negotiations that commenced prior to the date of this Agreement with respect to a Panther Alternative Proposal and (ii) shall not, and shall cause their respective Affiliates and Representatives not to, directly or indirectly, (A) solicit, initiate, or knowingly encourage, or take any other action to knowingly facilitate, any Panther Alternative Proposal or any inquiry or proposal that would reasonably be expected to lead to a Panther Alternative Proposal, (B) enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person (other than Neptune) any information with respect to, or otherwise cooperate in any way with, any Panther Alternative Proposal or any inquiry or proposal that would reasonably be expected to lead to a Panther Alternative Proposal or (C) approve, endorse, recommend, execute or enter into any term sheet, letter of intent, memorandum of understanding, agreement in principle, joint venture agreement, partnership agreement or merger, acquisition or similar agreement constituting or contemplating any Panther Alternative Proposal.

6.2 Preparation of Proxy Statement.

(a) As promptly as practicable following the Execution Date, Neptune shall prepare and file or cause to be filed with the SEC, the Proxy Statement in order to seek the Neptune Stockholder Approval. Panther shall (x) cooperate with Neptune in the preparation of the Proxy Statement; (y) use its reasonable best efforts to furnish the information required by the SEC or federal securities Laws to be included in the Proxy Statement concerning the Panther Entities, including updated financial statements if required and (z) use its reasonable best efforts to provide such other assistance as may be reasonably requested by Neptune or Neptune’s outside legal counsel in connection with the preparation, filing and distribution of the Proxy Statement. Neptune shall use its reasonable best efforts to have the Proxy Statement cleared by the SEC as promptly as is practicable after filing and each of Neptune and Panther shall use its reasonable best efforts to cause the Proxy Statement to be mailed to the holders of Neptune Common Stock as promptly as reasonably practicable after the Proxy Statement shall have been cleared by the SEC. Each party shall also take any action required to be taken and make any necessary filings under the Securities Act, the Exchange Act or any applicable state securities Laws in connection with the Transactions, this Agreement or the issuance of Neptune Common Stock in the Transactions. All filings by Neptune with the SEC in connection with the Transactions and all mailings to the stockholders of Neptune in connection with the Transactions shall be subject to the reasonable opportunity for prior review and comment by Panther, which comments Neptune shall consider in good faith, acting reasonably.

(b) If at any time prior to the Effective Time, any party discovers any information relating to Panther or Neptune, or any of their respective Affiliates, directors or officers that should be set forth in an amendment or supplement Proxy Statement so that such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party that discovers such information shall promptly notify the other party and Neptune shall promptly cause to be filed with the SEC an appropriate amendment or supplement describing such information and, to the extent required by Law, disseminate such information to the stockholders of Neptune.

(c) The parties shall notify each other promptly of the receipt of any correspondence, communications or comments from the SEC or the staff of the SEC and of any request by the SEC or the staff of the SEC for amendments or supplements to the Proxy Statement or for additional information and shall supply each other with (i) copies of all correspondence and a description of all material oral discussions between it or any of its respective Representatives, on the one hand, and the SEC or the staff of the SEC, on the other hand, with respect to the Proxy Statement or the Transactions and (ii) copies of all orders of the SEC relating to the Proxy Statement.

6.3 Stockholders Meeting; Recommendations. Neptune shall take, in accordance with the DGCL and its Organizational Documents, all actions reasonably necessary to mail the Proxy Statement to Neptune’s stockholders and to establish a record date, duly call, give notice of, convene and hold the Neptune Stockholder Meeting for the purpose of securing the Neptune Stockholder Approval. Unless a Neptune

TABLE OF CONTENTS
Recommendation Change is effected in accordance with Section 6.1, the Proxy Statement shall state that the Neptune Board has, by unanimous vote of the Transaction Directors, (i) approved this Agreement and the Transactions; (ii) determined that this Agreement and the Transactions are fair to and in the best interests of Neptune and its stockholders; and (iii) include the Neptune Recommendation. Unless a Neptune Recommendation Change is effected in accordance with Section 6.1, Neptune shall use its reasonable best efforts to solicit from stockholders of Neptune votes in favor of the Neptune Stockholder Approval. Notwithstanding any Neptune Recommendation Change, this Agreement shall be submitted to the stockholders of Neptune at the Neptune Stockholder Meeting and nothing contained herein shall be deemed to relieve Neptune of such obligation unless this Agreement has been validly terminated pursuant to the terms hereof. In addition to the foregoing, Neptune shall not submit to the vote of its stockholders any Neptune Alternative Proposal or other acquisition proposal other than the Transactions. Anything to the contrary contained in this Agreement notwithstanding, Neptune may adjourn or postpone the Neptune Stockholder Meeting (A) to the extent necessary, to ensure that any required supplement or amendment to the Proxy Statement that Neptune has determined in good faith (after consultation with outside legal counsel) is necessary under applicable Law, is provided to Neptune's stockholders, (B) if, as of the time for which the meeting of Neptune's stockholders is originally scheduled (as set forth in the Proxy Statement), there are insufficient shares of Neptune Common Stock represented (either in person or by proxy) to constitute a quorum necessary to conduct business at such meeting or (C) with the consent of Panther, to solicit additional proxies necessary to obtain the Neptune Stockholder Approval; provided, however, that no adjournment or postponement may be made to a date on or after three (3) Business Days prior to the End Date.

6.4 Access to Information; Confidentiality.

(a) From the Execution Date until the Effective Time, subject to applicable Law, (i) Neptune shall provide and shall cause Neptune's Representatives to provide Panther and its authorized Representatives, during normal business hours and upon reasonable advance notice, such reasonable access to the offices, employees, customers, suppliers, properties, books and records of Neptune and its Subsidiaries (so long as such access does not unreasonably interfere with the operations of Neptune and its Subsidiaries) as Panther may reasonably request, and (ii) Panther shall provide and shall cause Panther's Subsidiaries and its and their respective Representatives to provide Neptune and its authorized Representatives, during normal business hours and upon reasonable advance notice, such reasonable access to the offices, employees, properties, books and records of the Panther Entities (so long as such access does not unreasonably interfere with the operations of any Panther Entities) as Neptune may reasonably request (including for the purposes of planning the operation of the Surviving Corporation after the Effective Time). No party shall have access to personnel records of the other party or any of its Subsidiaries relating to individual performance or evaluation records, medical histories or other information that in such other party's good faith opinion the disclosure of which could subject such other party or any of its Subsidiaries to risk of liability.

(b) With respect to any information disclosed pursuant to this Section 6.4, each of Panther and Neptune shall comply with, and shall cause each of its Subsidiaries and their respective Representatives to comply with, all of its obligations under the mutual nondisclosure and confidentiality agreement, dated June 7, 2018, previously executed by Panther and Neptune (the "Confidentiality Agreement"). No party shall be required to provide access to or disclose any information where such access or disclosure would jeopardize any attorney-client privilege of such party or any Subsidiary of such party or contravene any Contract, Law or order (it being agreed that the parties shall use their respective reasonable best efforts to cause such information to be provided in a manner that would not result in such jeopardy or contravention).

6.5 Efforts to Consummate; Notification.

(a) Subject to the terms and conditions of this Agreement, each party will use its respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Law to consummate the Transactions, including using reasonable best efforts to (and, with respect to the following clauses (i), (ii) and (iv), Sponsor shall and shall cause the Funds to use their respective reasonable best efforts to) (i) cause the conditions

TABLE OF CONTENTS

precedent set forth in Article VII to be satisfied; provided, that in the case of Sponsor, its obligations under this clause (i) shall only require that Sponsor (A) use reasonable best efforts to cause the condition set forth in Section 7.3(c) to be satisfied and (B) not take or fail to take any action, and cause the Funds not to take or fail to take any action, with the intention of preventing, frustrating or delaying the satisfaction of the condition set forth in Section 7.2(d), (ii) obtain all necessary waivers, consents, approvals, permits, orders or authorizations (including the expiration or termination of any waiting periods) from Governmental Entities and the making of all necessary registrations, declarations and filings (including registrations, declarations and filings with Governmental Entities, if any) and take all steps as may be necessary to avoid, or to have terminated, if begun, any Proceeding by any Governmental Entity by the End Date, (iii) obtain all necessary waivers, consents, approvals, permits, orders or authorizations from third parties, (iv) defend any investigations or Proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the Transactions, including seeking to avoid the entry of, or to have reversed, terminated, lifted or vacated, any stay, temporary restraining order or other injunctive relief or order entered by any Governmental Entity that could prevent or delay the Transactions or the consummation of the Transactions and (v) execute and deliver additional instruments necessary to consummate the Transactions and to fully carry out the purposes of this Agreement.

(b) In furtherance and not in limitation of the foregoing, Neptune, Sponsor and Panther shall, and the Sponsor shall cause the Funds to, (i) make or cause to be made any filings required under the HSR Act, the Competition Act of Canada and the Austrian Cartel Act with respect to the Transaction as promptly as reasonably practicable, and, with respect to filings under the HSR Act, in no event later than ten (10) Business Days after, the Execution Date, (ii) furnish to any other parties as promptly as reasonably practicable all information required for any application or other filing to be made by the other party pursuant to any applicable Law in connection with the Transactions, (iii) respond as promptly as reasonably practicable to any inquiries received from, and supply as promptly as reasonably practicable any additional information or documentation that may be requested by, the Antitrust Division of the U.S. Department of Justice (the "DOJ"), the Federal Trade Commission (the "FTC") or by any other Governmental Entity in respect of such registrations, declarations and filings or such transactions, (iv) promptly notify the other parties of any communication between that party and the FTC, the DOJ or any other Governmental Entity and of any material communication received or given in connection with any proceeding by a private party, in each case regarding the application of a Regulatory Law to any of the Transactions and (v) act in good faith and use reasonable best efforts to cooperate with the other parties in connection with any such registrations, declarations and filings and in connection with resolving any investigation or other inquiry of any such agency or other Governmental Entity under the HSR Act or any other Regulatory Law with respect to any such registration, declaration and filing or any such transaction. Anything to the contrary in this Section 6.5(b) notwithstanding, materials provided to the other parties or its outside counsel may be redacted to remove references concerning the valuation of Neptune and its Subsidiaries or Panther Entities or as necessary to address reasonable privilege concerns.

(c) Notwithstanding the foregoing, nothing in this Section 6.5 shall require, or be construed to require, (i) any Panther Entity or any Neptune Entity to agree to (A) sell, divest, discontinue, hold separate or limit any assets, businesses or interests, (B) terminate, modify, or create any ventures, (C) terminate or modify any existing relationships, contractual rights or obligations, (D) effectuate any other changes or restructurings, (E) create any contractual rights or obligations or firewalls, (F) refrain from making any investment or acquisition or (G) any conditions relating to, or changes or restrictions in, the operations of any such assets, businesses or interests, in each case of the foregoing clauses (A) through (G), to the extent that such actions individually or in the aggregate would reasonably be expected to have a material adverse effect on Neptune, Panther, or the Surviving Corporation, or (ii) subject to clause (i), Sponsor or any of its Affiliates, other than the Funds and other than the Panther Entities and the Neptune Entities (both of which are addressed by clause (i)), to agree to any of the actions or matters referred to in clauses (i)(A) – (G) of this Section 6.5(c).

TABLE OF CONTENTS

6.6 Certain Notices.

(a) Panther and Neptune shall each promptly advise the other party of (a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions or (b) upon receiving any communication from any Governmental Entity or third party whose consent or approval is required for consummation of the Transactions that causes such party to believe that there is a reasonable likelihood that any such consent or approval will not be obtained or that the receipt of any such consent or approval will be materially delayed.

6.7 Public Announcements. The initial press release with respect to this Agreement and the Transactions shall be a release mutually agreed upon by Panther and Neptune. Thereafter, Panther and Neptune shall consult with each other and provide each other with the opportunity to review and comment upon any press release or other public statements with respect to the Transactions or this Agreement and shall not issue any such other press release prior to such consultation, except as may be required by applicable Law or any listing agreement related to the trading of the shares of either party on any securities exchange, in which case the party proposing to issue such press release or make such public announcement shall use reasonable best efforts to consult in good faith with the other party and provide the other party with an opportunity to review and comment on the content of the proposed disclosure, which comments such party shall consider in good faith, acting reasonably, before issuing any such press release or making any such public announcement; provided, however, that (a) each of Panther and Neptune may make press releases, public statements or public announcements concerning this Agreement or the Transactions that consist solely of information previously disclosed in press releases, public disclosures or statements made by Neptune and/or Panther in compliance with this Section 6.7 and (b) Neptune shall not be required to provide for review or comment to Panther any statement, release or disclosure in response to or in connection with a Neptune Alternative Proposal or Neptune Recommendation Change, it being understood, for the avoidance of doubt, that nothing in this clause (b) shall permit Neptune to make any statement or effect a Neptune Recommendation Change other than in accordance with Section 6.1(b) or Section 6.1(d).

6.8 Indemnification of Directors and Officers.

(a) For six (6) years after the Effective Time, the Surviving Corporation shall indemnify and hold harmless (and advance funds in respect of each), in the same manner as provided by Panther, as applicable, immediately prior to the Execution Date, each present and former director, officer and employee of Panther, or any of their respective Subsidiaries (in all of their capacities (collectively, the “Indemnified Parties”), against any costs or expenses (including reasonable attorneys’ fees and expenses and disbursements), judgments, fines, losses, claims, damages or liabilities incurred in connection with any Proceeding, whether civil, criminal, administrative or investigative, arising out of or pertaining to the fact that such Indemnified Party is or was a director, officer or employee of the Panther Entities or Neptune Entities, whether asserted or claimed prior to, at or after the Effective Time (including with respect to acts or omissions by directors or officers of Neptune or Panther or their respective Subsidiaries in their capacities as such arising in connection with the Transactions), and shall provide advancement of expenses to the Indemnified Parties, in all such cases to the same extent that such persons are indemnified or have the right to advancement of expenses as of the Execution Date by Panther pursuant to Panther’s Organizational Documents and indemnification agreements, if any, or by any one of Panther’s Subsidiaries pursuant to such Subsidiary’s Organizational Documents and indemnification agreements of any Subsidiary of Panther, if any, in existence on the Execution Date.

(b) Neptune agrees that, for six (6) years after the Effective Time, the Organizational Documents of the Surviving Corporation shall contain provisions no less favorable with respect to indemnification of the current and former directors and officers of Panther than are provided by Panther in Panther’s Organizational Documents and indemnification agreements as of the Execution Date, which provisions shall not be amended, repealed or otherwise modified in any manner that would adversely affect the rights thereunder of any such individuals until the expiration of the statutes of limitations applicable to such matters or unless such amendment, modification or repeal is required by applicable Law.

TABLE OF CONTENTS

(c) For six (6) years after the Effective Time, the Surviving Corporation shall maintain in effect for the benefit of the Indemnified Parties an insurance and indemnification policy with an insurer with the same or better credit rating as the current carrier for Panther that provides coverage for acts or omissions occurring prior to the Effective Time covering each such person covered by the officers' and directors' liability insurance policy of Panther on terms with respect to coverage and in amounts no less favorable in the aggregate than those of Panther's directors' and officers' insurance policy in effect on the Execution Date; provided, however, that the Surviving Corporation shall not be required to pay an annual premium for the D&O Insurance in excess of 300% of the annual premium currently paid by Panther for such coverage; and provided, further, however, that if any annual premium for such insurance coverage exceeds 300% of such annual premium, the Surviving Corporation shall obtain as much coverage as reasonably practicable for a cost not exceeding such amount. The Surviving Corporation's obligations under this Section 6.8(c) may be satisfied by the Surviving Corporation purchasing a "tail" policy, under Panther's existing directors, and officers, insurance policy, which (i) has an effective term of six (6) years from the Effective Time, (ii) covers each person covered by Panther's directors' and officers' insurance policy in effect on the Execution Date or at the Effective Time for actions and omissions occurring prior to the Effective Time and (iii) contains terms that are no less favorable in the aggregate than those of Panther's directors' and officers' insurance policy in effect on the Execution Date. If such "tail" policy has been obtained by Neptune prior to the Effective Time, the Surviving Corporation shall cause such policy to be maintained in full force and effect, for its full term, and cause all obligations thereunder to be honored by the Surviving Corporation.

(d) The provisions of this Section 6.8, are (i) intended to be for the benefit of, and will be enforceable by, each Indemnified Party and (ii) in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Person may have by Contract or otherwise. The Surviving Corporation shall pay all reasonable out-of-pocket expenses, including reasonable attorneys' fees, that may be incurred by any Indemnified Party in enforcing the indemnity obligations provided in this Section 6.8 unless it is ultimately determined that such Indemnified Party is not entitled to such indemnity.

(e) For six (6) years after the Effective Time, if the Surviving Corporation, or any of its successors or assigns, (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity in such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then, and in each case, proper provision shall be made so that the successors and assigns of the Surviving Corporation honor the indemnification obligations set forth in this Section 6.8.

6.9 Employee Matters.

(a) For a period of one (1) year following the Closing Date, Neptune shall or shall cause its applicable Subsidiaries to provide each Continuing Neptune Employee and each Continuing Panther Employee whose employment is terminated without cause during the period commencing on the Closing Date and ending on the first (1st) anniversary of the Closing Date with severance benefits equal in value to the greater of (i) the severance benefits that such individual would be eligible to receive under the applicable severance policy, program or arrangement of any Panther Entity set forth on Section 6.9(a) of the Panther Disclosure Letter and (ii) the severance benefits that such individual would be eligible to receive under the severance policy, program or arrangement of any Neptune Entity set forth on Section 6.9(a) of the Neptune Disclosure Letter, in each case, taking into account such Continuing Panther Employee's service with the Panther Entities prior to the Closing and with the Neptune Entities following the Closing and such Continuing Neptune Employee's service with the Neptune Entities prior to and following the Closing. For the avoidance of doubt and notwithstanding the immediately preceding sentence, during the one (1)-year period referred to in the immediately preceding sentence, each Continuing Neptune Employee and Continuing Panther Employee that is party to an individual agreement with Neptune or Panther that provides for severance benefits shall receive severance benefits pursuant to his or her individual agreement.

(b) From and after the Closing, Neptune shall give each Continuing Panther Employee full credit for all purposes under any employee benefit plans sponsored, maintained or contributed to by any Neptune Entity for such Continuing Panther Employee's service with any Panther Entity and with any

TABLE OF CONTENTS

predecessor employer to the same extent recognized prior to the Closing under a corresponding Panther Benefit Plan; provided that the foregoing service recognition shall not apply (i) to the extent such credit would result in the duplication of benefits for the same period of service, (ii) for purposes of benefit accrual under any defined benefit pension plan or retiree welfare plan or (iii) for purposes of any benefit plan that is frozen or provides grandfathered benefits. In addition, and without limiting the generality of the foregoing, (A) Neptune shall, or shall cause its applicable Subsidiaries to, provide that each Continuing Panther Employee shall be immediately eligible to participate, without any waiting time, in any and all Neptune Benefit Plans, and (B) (1) for purposes of each Neptune Benefit Plan in which a Continuing Panther Employee participates during the year in which the Closing Date occurs that provides medical, dental, pharmaceutical or vision benefits, Neptune (or its applicable Subsidiaries) shall use commercially reasonable efforts to cause all pre-existing condition exclusions and actively-at-work requirements of such Neptune Benefit Plan to be waived for such Continuing Panther Employee and his or her covered dependents, unless such conditions would not have been waived under the analogous Panther Benefit Plan in which such Continuing Panther Employee participated immediately prior to the Closing and (2) Neptune shall, or cause its applicable Subsidiaries to, use commercially reasonable efforts to cause any eligible expenses incurred by such employee and his or her covered dependents during the portion of the plan year of the Panther Benefit Plan ending on the date such employee's participation in a corresponding Neptune Benefit Plan begins to be taken into account under such Neptune Benefit Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such Neptune Benefit Plan.

(c) Neptune and Panther agree to the covenants set forth on Section 6.9(c) of the Panther Disclosure Letter.

(d) Prior to the Closing Date, Panther shall seek approval by the Holders, in accordance with Section 280G(b)(5)(B) of the Code, of the right of any "disqualified individual" (within the meaning of Section 280G(c) of the Code and the regulations thereunder) to receive or retain any payments that would, in the absence of such stockholder approval, constitute "excess parachute payments" within the meaning of Section 280G of the Code. Prior to seeking such approval, Panther will use commercially reasonable efforts to obtain from each disqualified individual waivers that provide that no payments and/or benefits that would separately or in the aggregate constitute "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code ("Parachute Payments") with respect to such disqualified individual shall, in the absence of such Holder approval referred to in the immediately preceding sentence, be payable to or retained by such disqualified individual to the extent such Parachute Payments would not be deductible by reason of the application of Section 280G of the Code or would result in the imposition of the excise tax under Section 4999 of the Code on such disqualified individual. All materials produced by Panther in connection with the implementation of this Section 6.9(d) shall be provided to Neptune at least five (5) Business Days in advance for Neptune's review and comment, and Panther shall consider any of Neptune's requested changes or comments in good faith and not unreasonably omit them; provided that if any compensatory arrangement is entered into between a Neptune Entity and a disqualified individual before the Closing, Neptune shall provide a copy of such arrangement or summary of its material terms to Panther at least ten (10) Business Days before the Closing and shall cooperate with Panther and its advisers in good faith to determine the value for the purposes of Section 280G of the Code of any payments or benefits contemplated therein and if Neptune does not comply with its obligations under this sentence, Panther's failure to include such Neptune arrangements in the Holder voting materials described herein will not result in a breach of this Section 6.9(d).

(e) Without limiting Section 11.6, nothing in this Agreement shall constitute an amendment to, or be construed as amending, any employee benefit plan sponsored, maintained or contributed to by any Person. The provisions of this Section 6.9 are for the sole benefit of the parties hereto and nothing herein, expressed or implied, is intended or will be construed to confer upon or give to any Person (including, for the avoidance of doubt, any Continuing Panther Employee or Continuing Neptune Employee or other current or former employee (or spouse or dependent thereof) of Neptune, Panther or any of their respective Subsidiaries, other than the parties hereto and their respective permitted

TABLE OF CONTENTS

successors and assigns), any legal or equitable or other rights or remedies (including with respect to the matters provided for in this Section 6.9) under or by reason of any provision of this Agreement. Nothing in this Agreement shall give any employee or other service provider of Neptune, Panther or any of their respective Affiliates or any other Person any right to continued employment or service.

6.10 Section 16(b) Matters. Prior to the Effective Time, Neptune shall take all such steps as may be required to cause any disposition of Equity Interests of Neptune (including derivative securities with respect thereto) or acquisition of Equity Interests of the Surviving Corporation (including derivative securities with respect thereto) resulting from the Transactions by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to Neptune or who will become subject to such reporting requirements with respect to the Surviving Corporation to be exempt under Rule 16b-3 under the Exchange.

6.11 Takeover Laws. If any takeover laws or any anti-takeover provision or restriction on ownership in the Organizational Documents of Neptune is or may become applicable to the Transactions, Neptune and the Neptune Board shall grant such approvals and take all such actions as are necessary or advisable so that the Transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise act to eliminate or minimize the effects of such statute, regulation or provision in Neptune's Organizational Documents on the Transactions.

6.12 Exchange Listing. Neptune shall use its reasonable best efforts to cause the Neptune Common Stock to be issued to Holders pursuant to the Merger to be approved for listing on the New York Stock Exchange (the "NYSE"), subject to official notice of issuance, prior to the Effective Time.

6.13 Tax Matters.

(a) Each of Neptune and Panther shall use its reasonable best efforts to cause the Merger to qualify, and shall not take or knowingly fail to take (and shall cause any Subsidiaries or Affiliates of such party not to take or knowingly fail to take) any action that could reasonably be expected to prevent or impede the Merger from qualifying, as a "reorganization" within the meaning of Section 368(a) of the Code.

(b) Each of Neptune and Panther shall use its reasonable best efforts and shall cooperate with one another to obtain the opinions of counsel referred to in Sections 7.2(d) and 7.3(d). In connection therewith, (i) Panther shall use its reasonable best efforts to deliver to Debevoise & Plimpton LLP ("Panther Tax Counsel") and Wachtell, Lipton, Rosen & Katz ("Neptune Tax Counsel") a duly executed certificate containing such representations, warranties and covenants as shall be reasonably necessary or appropriate to enable such counsel to render the opinions described in Sections 7.2(d) and 7.3(d) (the "Panther Tax Certificate") and (ii) Neptune shall use its reasonable best efforts to deliver to Panther Tax Counsel and Neptune Tax Counsel a duly executed certificate containing such representations, warranties and covenants as shall be reasonably necessary or appropriate to enable such counsel to render the opinions described in Sections 7.2(d) and 7.3(d) (the "Neptune Tax Certificate"), in each case, dated as of the effective date of the Proxy Statement and the Closing Date. Neptune and Panther shall provide such other information as reasonably requested by each of Panther Tax Counsel and Neptune Tax Counsel for purposes of rendering the opinions described in Sections 7.2(d) and 7.3(d), as applicable.

6.14 Financing Cooperation. Each of Panther and Neptune shall, and shall cause its Subsidiaries to, use its reasonable best efforts to obtain the Financing. Each of Panther and Neptune shall, and shall cause its Subsidiaries to, and cause its and their respective officers, employees and advisors (including legal and accounting representatives to), use its reasonable best efforts to cooperate in any manner that is reasonably requested by Panther or Neptune in order (a) to assist in any arrangement or syndication activities in respect of the Financing as contemplated by the Debt Commitment Letter, to satisfy on a timely basis all conditions to funding set forth in the Debt Commitment Letter that are within Panther's or Neptune's control and to consummate the Financing at or prior to the Closing and (b) if any portion of the Financing becomes unavailable on the terms and conditions set forth in the Debt Commitment Letter (including any flex provisions), to arrange to obtain alternative financing, including from alternative sources, on terms and conditions not less favorable than the terms and conditions (including any flex provisions) set forth in the Debt Commitment Letter.

TABLE OF CONTENTS

6.15 Treatment of Certain Indebtedness. Neptune shall use its reasonable best efforts to deliver, or cause to be delivered, to Panther on or prior to three (3) Business Days prior to the Effective Time, a copy of draft payoff letters, and on or prior to the Effective Time, executed payoff letters (subject to delivery of funds as arranged by Panther, or as arranged by Panther and/or Neptune in accordance with Section 6.14(b)) with respect to the Existing Neptune Credit Facilities (each, a "Payoff Letter"), in customary form and reasonably acceptable to Panther, and providing for the payoff, discharge and termination in full on the Closing Date of the Existing Neptune Credit Facilities and the release of liens thereunder upon payment of the amounts provided for therein. Each of Neptune and Panther shall use reasonable best efforts to cause to be provided to Neptune, or cause to be provided to the applicable administrative agent under the Existing Neptune Credit Facilities, or, in the event financing is obtained in accordance with Section 6.14(b), Panther and/or Neptune shall cause to be provided to the applicable administrative agent under the Existing Neptune Credit Facilities, the amounts necessary to pay off, discharge and terminate the Existing Neptune Credit Facilities in accordance with the Payoff Letters substantially concurrently with the Closing. Each of Neptune and Panther shall indemnify, defend and hold harmless the other, its Subsidiaries and their respective Affiliates, and their respective directors, managers, general partners, officers, employees and Representatives, in each case prior to the Effective Time, from and against fifty percent (50.0%) of any liability or obligation suffered or incurred by them in connection with the transactions contemplated by Section 6.14 or this Section 6.15 and any information utilized in connection therewith, except, in each case, to the extent any of the foregoing arises from the bad faith, gross negligence or willful misconduct of the indemnified party, any of its Subsidiaries or any of their Representatives, or with respect to historical information relating to the indemnified party or its Subsidiaries provided by or on behalf of the indemnified party. Any fee or expense (other than any attorneys' fees) payable by any party in connection with the Debt Commitment Letter, the Financing and any of the transactions set forth in Section 6.14 or this Section 6.15 shall, in the event the Closing does not occur, be borne, in each case, equally by Panther and Neptune.

6.16 Stockholder Litigation. Prior to the earlier of the Effective Time or the termination of this Agreement, Neptune shall control the defense of any litigation brought by the Neptune Entities' stockholders against any Neptune Entity and/or their respective directors or officers relating to the Merger or a breach of this Agreement or any other agreements contemplated hereby; provided, however, that Neptune shall give Panther the right to review and comment on all material filings or responses to be made by the Neptune Entities in connection with any such litigation, and the right to consult on the settlement, release, waiver or compromise of any such litigation, and Neptune shall in good faith take such comments into account, and no such settlement, release, waiver or compromise relating to the Merger shall be agreed to without Panther's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed). Neptune shall promptly notify Panther of any such litigation and shall keep Panther informed on a reasonably current basis with respect to the status thereof.

ARTICLE VII
CONDITIONS PRECEDENT

7.1 Conditions to Each Party's Obligations to Effect the Transactions. The respective obligations of each party to effect the Transactions are subject to the satisfaction or waiver (to the extent permitted by Law), at or prior to the Closing, of the following conditions:

(a) Stockholder Approval. The Neptune Stockholder Approval shall have been obtained.

(b) Approvals. Any (i) waiting periods applicable to the Transactions under the HSR Act shall have been terminated or expired and (ii) any necessary approvals or termination of any applicable waiting periods under the Competition Act of Canada and the Austrian Cartel Act shall have been received or occurred.

(c) No Injunctions or Restraints. No Governmental Entity of competent jurisdiction shall have after the Execution Date enacted, issued, promulgated, enforced or entered any decision, injunction, decree, ruling, Law or order (whether temporary, preliminary or permanent) that enjoins or otherwise prohibits or makes illegal the consummation of any of the Transactions.

(d) Exchange Listing. The Neptune Common Stock to be issued in connection with the Transactions shall have been approved for listing on the NYSE, subject to official notice of issuance.

TABLE OF CONTENTS

7.2 Additional Conditions to Panther's Obligations. The obligations of Panther to effect the Transactions are also subject to the satisfaction or waiver (to the extent permitted by Law) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. The representations and warranties of Neptune (i) in this Agreement (other than those described in clauses (ii), (iii) and (iv) below) shall be true and correct (disregarding all qualifications or limitations as to "materiality" or "Neptune Material Adverse Effect") in all respects as of the Execution Date and as of the Closing Date as if remade on the Closing Date (except for representations and warranties made as of a specific date, which shall be true and correct in all respects as of such specific date), except where the aggregate failure of such representations and warranties to be so true and correct has not had, and would not reasonably be expected to have, a Neptune Material Adverse Effect; (ii) in Sections 3.5(a) and (b) shall be true and correct in all respects as of the Execution Date and as of the Closing Date as if remade on the Closing Date (except for representations and warranties made as of a specific date, which shall be true and correct other than in de minimis respects as of such specific date) other than in de minimis respects; (iii) in Sections 3.1 (first sentence only), 3.2, 3.3(a), 3.5 (other than (a) and (b)), 3.21 and 3.22 shall be true and correct in all material respects as of the Execution Date and as of the Closing Date as though remade on the Closing Date; and (iv) in Section 3.8(c) shall be true and correct in all respects as of the Execution Date and as of the Closing Date as though remade on the Closing Date.

(b) Agreements and Covenants. Neptune shall have performed, or complied with, in all material respects, the agreements and covenants required by this Agreement to be performed or complied with by Neptune on or prior to the Closing.

(c) Compliance Certificate. Panther shall have received a certificate signed by a senior executive officer of Neptune dated the Closing Date confirming that the conditions set forth in Sections 7.2(a) and 7.2(b) have been satisfied.

(d) Tax Opinion. Panther shall have received a written opinion from Panther Tax Counsel, in form and substance reasonably satisfactory to Panther, dated as of the Closing Date, to the effect that, on the basis of the facts, representations and assumptions set forth or referred to in such opinion, the Merger will qualify as "reorganization" within the meaning of Section 368(a) of the Code. In rendering the opinion described in this Section 7.2(d), Panther Tax Counsel shall be entitled to rely upon assumptions, representations, warranties and covenants, including those contained in the Panther Tax Certificate and the Neptune Tax Certificate and such other information as Panther Tax Counsel deems relevant.

(e) Stockholders Agreement. Neptune shall have delivered to Sponsor and Golden copy of the Stockholders Agreement duly executed by Neptune.

(f) Registration Rights Agreement. Neptune shall have delivered to Sponsor and Golden a copy of the Registration Rights Agreement duly executed by Neptune.

7.3 Additional Conditions to Neptune's Obligations. The obligations of Neptune to effect the Transactions are also subject to the satisfaction or waiver (to the extent permitted by Law) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. The representations and warranties of Panther (i) in this Agreement (other than those described in clauses (ii), (iii) and (iv) below) shall be true and correct (disregarding all qualifications or limitations as to "materiality" or "Panther Material Adverse Effect") in all respects as of the Execution Date and as of the Closing Date as if remade on the Closing Date (except for representations and warranties made as of a specific date, which shall be true and correct in all respects as of such specific date), except where the aggregate failure of such representations and warranties to be so true and correct has not had, and would not reasonably be expected to have, a Panther Material Adverse Effect; (ii) in Sections 4.5(a), (b) and (f)(ii) shall be true and correct in all respects as of the Execution Date and as of the Closing Date as if remade on the Closing Date (except for representations and warranties made as of a specific date, which shall be true and correct other than in de minimis respects as of such specific date) other than in de minimis respects; (iii) in Sections 4.1 (first sentence only), 4.2, 4.3(a), 4.5 (other than (a), (b) and (f)(ii)), 4.7(c), 4.18 and 4.19

TABLE OF CONTENTS

shall be true and correct in all material respects as of the Execution Date and as of the Closing Date as though remade on the Closing Date; and (iv) in Section 4.8(c) shall be true and correct in all respects as of the Execution Date and as of the Closing Date as though remade on the Closing Date.

(b) Agreements and Covenants. Panther and Sponsor shall have performed, or complied with, in all material respects, the agreements and covenants required by this Agreement to be performed or complied with by each of them on or prior to the Closing.

(c) Compliance Certificate. Neptune shall have received a certificate signed by a senior executive of Panther and a senior Executive of the general partner of the general partner of Fund X, in each case, dated the Closing Date confirming that the conditions set forth in Sections 7.3(a) and 7.3(b) have been satisfied.

(d) Tax Opinion. Neptune shall have received a written opinion from Neptune Tax Counsel, in form and substance reasonably satisfactory to Neptune, dated as of the Closing Date, to the effect that, on the basis of the facts, representations and assumptions set forth or referred to in such opinion, the Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. In rendering the opinion described in this Section 7.3(d), Neptune Tax Counsel shall be entitled to rely upon assumptions, representations, warranties and covenants, including those contained in the Panther Tax Certificate and the Neptune Tax Certificate and such other information as Neptune Tax Counsel deems relevant.

(e) Stockholders Agreement. The Affiliates of Sponsor party thereto and Golden shall have delivered to Neptune copies of the Stockholders Agreement duly executed by each of them.

(f) Registration Rights Agreement. The Affiliates of Sponsor party thereto and Golden shall have delivered to Neptune executed copies of the Registration Rights Agreement duly executed by each of them.

ARTICLE VIII

TERMINATION AND EXPENSES

8.1 Termination. This Agreement may be terminated and the Transactions may be abandoned at any time prior to the Closing, whether before or after the receipt of the Neptune Stockholder Approval:

(a) by mutual written consent of Panther and Neptune in each case duly authorized by their respective governing boards;

(b) by either Panther or Neptune:

(i) if any Governmental Entity of competent jurisdiction shall have issued any order, decree, ruling or injunction or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the Transactions and such order, decree, ruling or injunction or other action shall have become final and nonappealable, or if there shall be adopted following the Execution Date any Law that makes consummation of the Transactions illegal or otherwise prohibited; provided, however, that the party seeking to terminate this Agreement pursuant to this Section 8.1(b)(i) has fulfilled its obligations under Section 6.5; or

(ii) if the Transactions shall not have been consummated on or before 5:00 p.m., New York City time, on January 17, 2019 (such date the "End Date"); provided, however, that the right to terminate this Agreement under this Section 8.1(b)(ii) shall not be available to any party whose failure to fulfill any of its covenants or agreements under this Agreement has been the principal cause of, or resulted in, the failure of the Transactions to occur on or before the End Date.

(c) by Neptune if any of the representations or warranties of Panther was or becomes inaccurate or any breach or breaches by Panther of any covenant or other agreement of such parties contained in this Agreement occurs and, (i) as a result of any such breach or inaccuracies, the conditions set forth in Section 7.3(a) or 7.3(b), as applicable, would not then be capable of being satisfied, and (ii) any such breaches or inaccuracies are not curable, or, if curable have not been cured prior to the earlier of (A) the Business Day prior to the End Date or (B) the date that is thirty (30) days after the date that notice of such breach or inaccuracy is provided to Panther by Neptune; provided, however, that

TABLE OF CONTENTS

Neptune shall not have the foregoing right to terminate if, at the time of such termination, Neptune is in material breach of any of its representations, warranties or covenants contained herein such as would result in any of the closing conditions set forth in Section 7.2(a) or 7.2(b) not being satisfied;

(d) by Panther, if any of the representations or warranties of Neptune was or becomes inaccurate or any breach or breaches by Neptune of any covenant or other agreement of the parties contained in this Agreement occurs and, (i) as a result of any such breach or inaccuracies, the condition set forth in Section 7.2(a) or 7.2(b), as applicable, would not then be capable of being satisfied, and (ii) any such breaches or inaccuracies are not curable, or, if curable have not been cured prior to the earlier of (A) the Business Day prior to the End Date or (B) the date that is thirty (30) days after the date that notice of such breach or inaccuracy is provided to Neptune by Panther; provided, however, that Panther shall not have the foregoing right to terminate if, at the time of such termination, Panther is in material breach of any of its representations, warranties and covenants contained herein such as would result in any of the closing conditions set forth in Section 7.3(a) or 7.3(b) not being satisfied;

(e) by either Panther or Neptune, if the Neptune Stockholder Meeting (or any postponement or adjournment thereof) shall have concluded and the condition set forth in Section 7.1(a) shall not have been satisfied;

(f) by Neptune, prior to receipt of the Neptune Stockholder Approval, in order to enter into a definitive agreement relating to a Neptune Superior Proposal if Neptune has complied with Section 6.1(d) and subject to compliance with Section 8.3(d); or

(g) by Panther, if a Neptune Recommendation Change has occurred.

8.2 Notice of Termination; Effect of Termination.

(a) A terminating party shall provide notice of termination to the other party specifying with particularity the basis for such termination, and any such termination in accordance with Section 8.1 shall be effective immediately upon delivery of such written notice to the other party in accordance with Section 11.1.

(b) In the event of termination of this Agreement by any party as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any party, except for this Section 8.2, the first sentence of Section 6.4(b), Section 8.3, Section 8.4, and Article XI, which shall remain in full force and effect; provided, however, that, notwithstanding anything to the contrary herein, no such termination shall relieve any party from liability for any damages resulting from or arising out of fraud or Willful Breach of this Agreement.

8.3 Termination Fee.

(a) If this Agreement is terminated by Panther pursuant to Section 8.1(g), Neptune will pay to Panther the Termination Fee no later than two (2) Business Days after the termination of this Agreement.

(b) If this Agreement is terminated by (i) either Panther or Neptune pursuant to Section 8.1(e), (ii) a Neptune Alternative Proposal is publicly proposed or publicly disclosed and not publicly withdrawn at least three (3) Business Days prior to the date of the Neptune Stockholder Meeting and (iii) Neptune enters into a definitive agreement with respect to, or consummates, a Neptune Alternative Proposal within twelve (12) months after the date this Agreement is terminated, then Neptune will pay to Panther the Termination Fee upon the earlier to occur of such entrance into a definitive agreement or consummation. For purposes of clause (iii) of this Section 8.3(b), any reference in the definition of Neptune Alternative Proposal to “15%” shall be deemed to be a reference to “50%.”

(c) If this Agreement is terminated by Panther pursuant to Section 8.1(d) in respect of a breach by Neptune of Sections 6.1(a) – (e) and (i) before the date of such termination, a Neptune Alternative Proposal is publicly proposed or publicly disclosed and not publicly withdrawn as of the date of such termination and (ii) Neptune enters into a definitive agreement with respect to, or consummates, a Neptune Alternative Proposal within twelve (12) months after the date of such termination, then

TABLE OF CONTENTS

Neptune will pay to Panther the Termination Fee upon the earlier to occur of such entrance into a definitive agreement or consummation. For purposes of clause (ii) of this Section 8.3(c), any reference in the definition of Neptune Alternative Proposal to "15%" shall be deemed to be a reference to "50%."

(d) If this Agreement is terminated by Neptune pursuant to Section 8.1(f), Neptune will pay to Panther the Termination Fee prior to or contemporaneously with the termination of this Agreement.

(e) Any payment of the Termination Fee will be made in cash by wire transfer of same day funds to an account designated in writing by the recipient of such payment.

(f) Each of the parties acknowledges that the provisions of this Section 8.3 are an integral part of the transactions contemplated hereby and that, without these agreements, Panther would not enter into this Agreement. Accordingly, if Neptune fails to promptly pay the amount due pursuant to this Section 8.3 and if Panther commences a suit that results in a judgment against Neptune for such amount or a portion thereof, Neptune shall pay Panther (i) all fees, costs and expenses of enforcement (including attorneys' fees as well as expenses incurred in connection with any such action) and (ii) interest on such amount or such portion thereof at the prime lending rate as published in the Wall Street Journal, in effect on the date such payment is required to be made. The amounts payable by Neptune pursuant to this Section 8.3 constitute liquidated damages and not a penalty, and, other than in the case of fraud or Willful Breach, shall be, together with any amounts payable pursuant to this Section 8.3(f), the sole monetary remedy for Panther in the event of a termination of this Agreement where the Termination Fee is payable by Neptune.

(g) As used herein, "Termination Fee" means a cash amount equal to $45,000,000.

(h) In no event shall Panther be entitled to payment of the Termination Fee more than once in connection with this Agreement.

8.4 Expenses and Other Payments.   Except as otherwise provided in Section 8.3, in the event that this Agreement is terminated in accordance with Section 8.1, all expenses incurred by either Neptune or Panther incident to preparing for, entering into and carrying out this Agreement, including (i) advisor fees and fees of counsel (including in respect of litigation (other than litigation between or among the parties)), (ii) costs and expenses of printing and mailing the Proxy Statement, (iii) all filing and other fees paid to the SEC in connection with the Transactions and (iv) all fees paid in respect of any filing under the HSR Act or other Regulatory Law, whether or not the Transactions shall be consummated (all such expenses, "Shared Expenses"), shall be borne 53% by Neptune and 47% by Panther; provided that (i) in no event shall Neptune bear expenses greater than the aggregate of its own such expenses; and (ii) Sponsor shall pay its own expenses incident to preparing for, entering into and carrying out this Agreement and the consummation of the Transactions. In the event that the Closing is consummated, all Shared Expenses shall be borne by the Surviving Corporation.

ARTICLE IX

DEFINITIONS

9.1 Definitions.   For purposes of this Agreement, the following terms, when used in this Agreement with initial capital letters, shall have the respective meanings set forth in this Agreement:

"Accredited Investor" means a Holder who is an "accredited investor" as such term is defined in Rule 501(a) under the Securities Act.

"Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. A Person shall be deemed to control another Person if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management or policies of such other Person, whether through the ownership of voting securities, by Contract or otherwise. For the purposes of this Agreement, each of the Funds is deemed to be an Affiliate of Sponsor.

"Aggregate Merger Consideration" has the meaning set forth in Section 2.1(a).

TABLE OF CONTENTS

"Agreement" means this agreement, as it may be amended from time to time in accordance with its terms.
"Atlas" means Atrium Corporation.
"Atlas Entities" means Atlas and its Subsidiaries, with each such entity an "Atlas Entity."
"Atlas Holder" means any former shareholder of Atlas that has not submitted an Atlas LOT to Panther and become a Holder prior to the Effective Time. The former shareholders of Atlas that have not submitted an Atlas LOT as of the date hereof are identified on Schedule III.
"Atlas LOT" means the Letter of Transmittal, as defined in the Agreement and Plan of Merger, by and among Atlas, Panther, CD&R Atlas Merger Sub, Inc. and Golden (solely in its capacity as Representative thereunder and with respect to Section 2.7(c) thereunder), dated January 31, 2018.
"Austrian Cartel Act" means the Austrian Cartel Act (Kartellgesetz) 2005 (BGBl I 2005/61), as amended.
"Benefit Plan" means any "employee benefit plan" (as defined in Section 3(3) of ERISA), whether or not subject to ERISA, and each other plan, policy, agreement or arrangement (whether written or oral) relating to stock options, stock purchases, stock awards, deferred compensation, bonus, severance, termination, retention, employment, change of control, retirement, pension, vacation, fringe benefits, supplemental benefits, health, welfare, retiree medical, life insurance, or other employee benefits.
"Business Day" means any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings, or, in the case of determining a date when any payment is due, any day on which banks are not required or authorized to close in New York City in the United States of America.
"Certificate of Merger" has the meaning set forth in Section 1.1(b).
"Closing" has the meaning set forth in Section 1.2.
"Closing Date" has the meaning set forth in Section 1.2.
"Code" has the meaning set forth in the recitals.
"Committed Lenders" means the lenders party to the Debt Commitment Letter.
"Confidentiality Agreement" has the meaning set forth in Section 6.4(b).
"Continuing Neptune Employee" means each employee of any Neptune Entity who is employed as of the Effective Time and who continues in the employ of any Neptune Entity following the Closing Date.
"Continuing Panther Employee" means each employee of any Panther Entity who is employed as of the Effective Time and who continues in the employ of any Neptune Entity following the Closing Date.
"Contract" means any agreement, contract, lease, license, note, evidence of Indebtedness, mortgage, security agreement, understanding, instrument or other legally binding arrangement, whether written or oral.
"Controlled Group Liability" means any and all liabilities (a) under Title IV of ERISA, (b) under Section 302 of ERISA, (c) under Sections 412, 430 or 4971 of the Code or (d) as a result of failure to comply with the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code.
"Creditors' Rights" has the meaning set forth in Section 3.2(b).
"D&O Insurance" means the directors' and officers' insurance and indemnification policy that provides coverage for events occurring prior to the Effective Time.
"Debt Commitment Letter" means the commitment letter, dated as of the date hereof, from the Committed Lenders and the arrangers party thereto and addressed to Panther Midco, including all exhibits, schedules, annexes and amendments thereto, and shall include such documents as permitted, or required, as the case may be, to be amended, modified or replaced by Section 6.14.

TABLE OF CONTENTS

"DGCL" means the General Corporation Law of the State of Delaware, as amended.
"DLLCA" means the Limited Liability Company Act of the State of Delaware, as amended.
"DOJ" has the meaning set forth in Section 6.5(b).
"Effective Time" has the meaning set forth in Section 1.1(b).
"Encumbrances" means liens, pledges, charges, hypothecations, mortgages, deeds of trust, security interests or similar burdens or encumbrances.
"End Date" has the meaning set forth in Section 8.1(b)(ii).
"Environmental Laws" means all Laws issued, promulgated or entered into, by or with any Governmental Entity, relating to Hazardous Substances, protection of natural resources or the environment, or occupational health or workplace safety (to the extent relating to exposure to Hazardous Substances).
"Environmental Permits" means all Permits required under applicable Environmental Laws.
"Equity Interest" means any share, capital stock, partnership, limited liability company, membership, member or similar interest or unit in any Person (including, for the avoidance of doubt, with respect to Panther, the Panther LLC Interests), and any option, warrant, right or security (including debt securities) convertible, exchangeable or exercisable thereto or therefor.
"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.
"ERISA Affiliate" means any Person under common control with another Person within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.
"Event" means any event, change, development, effect, condition, circumstance, occurrence or state of facts, or any combination of the foregoing.
"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.
"Execution Date" has the meaning set forth in the preamble hereto.
"Existing Neptune Credit Facilities" means (a) that certain Term Loan Credit Agreement, dated as of February 8, 2018, among Neptune, as borrower, the several banks and other financial institutions from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and (b) that certain ABL Credit Agreement, dated as of February 8, 2018, among NCI Group, Inc. and Robertson-CECO II Corporation, as borrowers, Neptune, as a guarantor, the lenders and issuing lenders from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent and collateral agent, and the other parties thereto.
"Existing Panther ABL Credit Facility" means that certain ABL Credit Agreement, dated as of April 12, 2018, among Panther Midco, as parent borrower, the lenders and issuing lenders from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent, and the other parties thereto.
"Existing Panther Credit Facilities" means (a) that certain Cash Flow Credit Agreement, dated as of April 12, 2018, among Panther Midco, as borrower, the several banks and other financial institutions from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and (b) the Existing Panther ABL Credit Facility.
"Existing Panther Indenture" means that certain Indenture, dated as of April 12, 2018, among Panther Midco, as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee.
"FTC" has the meaning set forth in Section 6.5(b).
"Fee Letter" has the meaning set forth in Section 4.22.

TABLE OF CONTENTS

"Financing" means the financing contemplated by the Debt Commitment Letter as permitted or required, as the case may be, to be amended, modified or replaced by Section 6.14.

"Financing Parties" shall mean the entities (including the Committed Lenders and each agent and arranger) that have committed to provide or arrange or have otherwise entered into agreements in connection with the Financing or any alternative debt financings, in connection with the transactions contemplated hereby pursuant to the Debt Commitment Letter or any other commitment letter, and any joinder agreements or credit agreements entered into pursuant thereto or relating thereto, together with their respective Affiliates and their respective Affiliates' officers, directors, employees, agents and Representatives, and their respective successors and assigns.

"Fund VIII" means Clayton, Dubilier & Rice Fund VIII, L.P.

"Fund X" means Clayton, Dubilier & Rice Fund X, L.P.

"Funds" means Clayton, Dubilier & Rice Fund VIII, L.P. and Clayton, Dubilier & Rice Fund X, L.P.

"GAAP" means generally accepted accounting principles in the United States of America.

"Golden" has the meaning set forth in Section 1.5.

"Governmental Entity" means any federal, state or local governmental or regulatory authority, court, body or instrumentality or any governmental or regulatory authority, court, body or instrumentality outside of the United States.

"Hazardous Substances" means all substances defined as "hazardous substances," "pollutants" or "contaminants" under any Environmental Law, including any regulated pollutant or contaminant (including any constituent, raw material, product or by-product thereof), asbestos or asbestos-containing material, polychlorinated biphenyls, lead paint, any hazardous, industrial or solid waste, and any toxic, radioactive, infectious or hazardous substance, material or agent.

"Holders" has the meaning set forth in Section 2.1(a).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indebtedness" means all indebtedness, liabilities and obligations, now existing or hereafter arising, for money borrowed by a Person, or any contingent liability for or guaranty by a Person of any obligation of any other Person (including the pledge of any collateral or grant of any security interest by a Person in any property as security for any such liability, guaranty or obligation) whether or not any of the foregoing is evidenced by any note, indenture, guaranty or agreement, but excluding all trade payables incurred in the ordinary course of business.

"Indemnified Parties" has the meaning set forth in Section 6.8(a).

"Intellectual Property" means, in any and all jurisdictions throughout the world, (i) patents, trademarks, trade names, trade dress, domain names, copyrights, designs and trade secrets, (ii) applications for and registrations of such patents, trademarks, service marks, trade names, trade dress, domain names, copyrights and designs, (iii) processes, formulae, methods, schematics, technology, know-how, computer software programs and applications and (iv) other intangible proprietary or confidential information.

"IRS" means the United States Internal Revenue Service.

"IT Systems" means the hardware, software, data, databases, data communication lines, network and telecommunications equipment, and other information technology equipment, owned by, or licensed to, a Person and its Subsidiaries.

"Knowledge" of a party means the actual knowledge of (a) the persons listed in Section 9.1(a) of the Neptune Disclosure Letter with respect to Neptune or (b) the persons listed in Section 9.1(a) of the Panther Disclosure Letter with respect to Panther.

"Law" means any applicable federal, state, local, foreign or international law, statute, code, ordinance, order, rule, rule of common law, regulation, judgment, decree, injunction or treaty.

TABLE OF CONTENTS

"Merger" has the meaning set forth in the recitals.
"Multiemployer Plan" means any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA.
"Neptune" has the meaning set forth in the preamble hereto.
"Neptune Alternative Proposal" means, any proposal or offer made by, or indication of interest from, any Person (other than Panther or any of its Affiliates) or group of related Persons, whether involving a transaction or series of related transactions, for (a) a merger, reorganization, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation or similar transaction involving Neptune, (b) the direct or indirect acquisition, including by merger, by any Person or group of related Persons of more than fifteen percent (15%) of the assets of Neptune and its Subsidiaries, on a consolidated basis (in each case, including securities of the Subsidiaries of Neptune) or (c) the direct or indirect acquisition by any Person or group of related Persons of more than fifteen percent (15%) of the shares of Neptune Common Stock (or securities of Neptune convertible into or exchangeable or exercisable for Neptune Common Stock) then issued and outstanding.
"Neptune Benefit Plan" means each Benefit Plan sponsored, maintained or contributed to by Neptune or its Subsidiaries for the benefit of current or former employees of Neptune or its Subsidiaries, or with respect to which Neptune or any of its Subsidiaries has any liability.
"Neptune Board" has the meaning set forth in the recitals.
"Neptune Common Stock" means the common stock, par value $1.00 per share, of Neptune.
"Neptune Disclosure Letter" has the meaning set forth in the preamble of Article III.
"Neptune Entities" means Neptune and its Subsidiaries, with each such entity, a "Neptune Entity."
"Neptune Equity Awards" means, collectively, the Neptune Stock Options, the Neptune Restricted Stock Awards, Neptune PSU Awards and the Neptune RSU Awards.
"Neptune Equity Plans" means (a) Neptune's 2003 Long-Term Stock Incentive Plan, as amended and restated effective as of January 27, 2018 and (b) Neptune's Stock Option Plan, as amended and restated as of December 14, 2000.
"Neptune Fairness Opinion" means the opinion of the Neptune Financial Advisor dated the date of this Agreement and addressed to the Neptune Board, to the effect that, as of the date of such opinion the Aggregate Merger Consideration to be paid pursuant to this Agreement is fair, from a financial point of view, to Neptune.
"Neptune Financial Advisor" has the meaning set forth in Section 3.21.
"Neptune Financial Statements" has the meaning set forth in Section 3.7(b).
"Neptune Foreign Benefit Plan" has the meaning set forth in Section 3.16(i).
"Neptune Insurance Policies" has the meaning set forth in Section 3.17.
"Neptune Intellectual Property" has the meaning set forth in Section 3.10(b).
"Neptune Intervening Event" means any Event that did not result from any breach of this Agreement, does not relate to any Neptune Alternative Proposal and was not known or reasonably foreseeable by the Transaction Directors of the Neptune Board as of the date of this Agreement, which Event becomes known (or the unforeseen magnitude or material consequences thereof become known) to or by the Transaction Directors of the Neptune Board prior to obtaining Neptune Stockholder Approval; provided, however, that none of the following shall constitute, or be taken into account in determining the existence of, a Neptune Intervening Event: (i) the receipt, existence or terms of an actual or possible Neptune Alternative Proposal or Neptune Superior Proposal or any proposal, offer, inquiry or request for information or request for negotiations or discussions that could reasonably be expected to lead to any Neptune Alternative Proposal; (ii) any event, fact, circumstance, development or occurrence relating to Panther or its Affiliates that does not amount to a Panther Material Adverse Effect; (iii) any change, in and

TABLE OF CONTENTS

of itself, in the price or trading volume of shares of Neptune Common Stock (it being understood that the underlying facts giving rise or contributing to such failure or change may be taken into account in determining whether there has been a Neptune Intervening Event, to the extent otherwise permitted by this definition), (iv) meeting or exceeding internal or analysts' expectations, projections or results of operations (it being understood that the underlying facts giving rise or contributing to such circumstances may be taken into account in determining whether there has been a Neptune Intervening Event, to the extent otherwise permitted by this definition), (v) the consequences of the announcement of this Agreement or (vi) any actions required to be taken (or required to be refrained from being taken) by the Neptune Entities under this Agreement.

"Neptune Leased Real Property" has the meaning set forth in Section 3.9(b).

"Neptune Material Adverse Effect" means any Event that has a material adverse effect on the business, financial condition or results of operations of the Neptune Entities, taken as a whole; provided that any effect to the extent resulting from any of the following Events shall not be considered when determining whether a Neptune Material Adverse Effect shall have occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for steel or other commodity prices or for Neptune's raw material inputs and end products; (iii) general market and economic conditions in the commercial construction, manufactured housing or remodeling and renovation industries; (iv) any change in accounting requirements or principles imposed by GAAP or any change in Law after the Execution Date; (v) any change resulting from the announcement of this Agreement or the announcement of the Transactions; (vi) any action required to be taken pursuant to this Agreement or taken at the request or with the consent of Panther; (vii) any hurricane, tornado, flood, earthquake or other force majeure event or other natural disaster; (viii) any act of war (whether or not declared), armed hostilities or terrorism; (ix) (1) a decline in the trading price or trading volume of Neptune Common Stock, (2) any ratings downgrade or change in ratings outlook for Neptune or any of its Subsidiaries; or (3) the failure to meet any projections, guidance, budgets, forecasts or estimates (provided, in the case of any of (1), (2) or (3) of this clause (ix), the underlying causes may be considered); or (x) any pending or threatened shareholder litigation relating to the entry into this Agreement or to the Merger; except, in the case of each of clause (i), (ii), (iii), (vii) or (viii) to the extent the Neptune Entities, taken as a whole, are disproportionately affected by such Event(s) relative to other similarly sized and situated companies in the industry for manufacturing metal products for commercial construction, and then only to the extent of such disproportion.

"Neptune Material Contracts" has the meaning set forth in Section 3.12(b).

"Neptune Owned Real Property" has the meaning set forth in Section 3.9(a).

"Neptune Products" has the meaning set forth in Section 3.25(a).

"Neptune Preferred Stock" has the meaning set forth in Section 3.5(a).

"Neptune PSU Award" means each restricted stock unit award relating to shares of Neptune Common Stock granted under any Neptune Equity Plan that vests in whole or in part based on the achievement of specified performance goals.

"Neptune RSU Award" means each restricted stock unit award relating to shares of Neptune Common Stock granted under any Neptune Equity Plan that vests solely based on continued service to Neptune or any Neptune Entity.

"Neptune Recommendation" has the meaning set forth in Section 3.2(a).

"Neptune Recommendation Change" has the meaning set forth in Section 6.1(b).

"Neptune Recommendation Change Notice" has the meaning set forth in Section 6.1(d)(iii)

"Neptune Real Property Lease" has the meaning set forth in Section 3.9(b).

"Neptune Related Person" has the meaning set forth on Section 3.12(a)(i).

"Neptune Restricted Stock Award" has the meaning set forth in Section 3.5(a).

"Neptune SEC Documents" has the meaning set forth in Section 3.7(a).

"Neptune SP Recommendation Change Notice" has the meaning set forth in Section 6.1(d)(ii).

"Neptune Stock Option" means each option to purchase shares of Neptune Common Stock granted under any Neptune Equity Plan.

"Neptune Stockholder Approval" means adoption of this Agreement and approval of the Transactions by the affirmative vote of holders of a majority of the outstanding shares of Neptune Common Stock entitled to vote with respect thereto at a stockholders' meeting duly called and held for such purpose.

"Neptune Stockholder Meeting" has the meaning set forth in Section 3.23.

"Neptune Superior Proposal" means a Neptune Alternative Proposal, substituting "fifty percent (50%)" for "fifteen percent (15%)," that the Special Committee determines in good faith, after consultation with Neptune's independent financial advisors and outside legal counsel, taking into account the timing, likelihood of consummation, legal, financial, regulatory and other aspects of the Neptune Alternative Proposal, including the financing terms thereof, and such other factors as the Special Committee considers to be appropriate, to be more favorable to Neptune and its stockholders than the transactions contemplated by this Agreement.

"Neptune Tax Certificate" has the meaning set forth in Section 6.13(b).

"Neptune Tax Counsel" has the meaning set forth in Section 6.13(b).

"NYSE" has the meaning set forth in Section 6.12.

"Organizational Documents" means, with respect to any Person, the articles of incorporation, certificate of incorporation, certificate of formation, certificate of limited partnership, bylaws, limited liability company agreement, operating agreement, partnership agreement, stockholders' agreement and all other similar documents, instruments or certificates executed, adopted or filed in connection with the creation, formation or organization of such Person, including any amendments thereto.

"Panther" has the meaning set forth in the preamble hereto.

"Panther Alternative Proposal" means any bona fide proposal or offer made by any Person or group of related Persons, and whether involving a transaction or series of related transactions, for (1) a merger, reorganization, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation or similar transaction involving any of the Panther Entities, (2) the acquisition by any Person or group of related Persons (other than Neptune and its Subsidiaries) of more than fifteen percent (15%) of the assets of Panther and its Subsidiaries, on a consolidated basis (in each case, including securities of the Subsidiaries of Panther), or (3) the direct or indirect acquisition by any Person or group of related Persons (other than Neptune and its Subsidiaries) of more than fifteen percent (15%) of Panther LLC Interests then issued and outstanding.

"Panther Benefit Plans" means each Benefit Plan sponsored, maintained or contributed to by Panther or its ERISA Affiliates for the benefit of current or former employees of Panther or its Subsidiaries, or with respect to which Panther or any of its ERISA Affiliates has any liability.

"Panther Board" has the meaning set forth in the recitals.

"Panther Disclosure Letter" has the meaning set forth in the preamble of Article IV.

"Panther Entities" means Panther and its Subsidiaries, with each such entity a "Panther Entity."

"Panther Financial Statements" means (i) the audited consolidated balance sheets of Ply Gem Holdings, Inc. and its Subsidiaries and the Atlas Entities, respectively, as of December 31, 2015, 2016 and 2017 and the audited consolidated statement of operations, members' equity and cash flows of Ply Gem Holdings, Inc. and Atlas, respectively, for the years ended December 31, 2015, 2016 and 2017, and the related notes thereto and (ii) the unaudited consolidated balance sheets of Ply Gem Holdings, Inc. and its Subsidiaries and the Atlas Entities, respectively, as of March 31, 2018 and the unaudited consolidated statement of operations, members' equity and cash flows of Ply Gem Holdings, Inc. and Atlas, respectively, for the three (3) months ended March 31, 2018.

TABLE OF CONTENTS

"Panther Foreign Benefit Plan" has the meaning set forth in Section 4.16(i).
"Panther Insurance Policies" has the meaning set forth in Section 4.17.
"Panther Intellectual Property" has the meaning set forth in Section 4.10(b).
"Panther Leased Real Property" has the meaning set forth in Section 4.9(b).
"Panther LLC Agreement" means the Amended and Restated Limited Liability Company Agreement of Panther, dated as of April 13, 2018.
"Panther LLC Interests" means the "Units" in Panther, as such term is defined in the Panther LLC Agreement.
"Panther Material Adverse Effect" means any Event that has a material adverse effect on the business, financial condition or results of operations of the Panther Entities, taken as a whole; provided, that any effect to the extent resulting from any of the following Events shall not be considered when determining whether a Panther Material Adverse Effect shall have occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for aluminum, resin or other commodity prices or for Panther's raw material inputs and end products; (iii) general market and economic conditions in the residential and commercial construction, manufactured housing or remodeling and renovation industries; (iv) any change in accounting requirements or principles imposed by GAAP or any change in Law after the Execution Date; (v) any change resulting from the announcement of this Agreement or the announcement of the Transactions; (vi) any action required to be taken pursuant to this Agreement or taken at the request or with the consent of Neptune; (vii) any hurricane, tornado, flood, earthquake or other force majeure event or other natural disaster; (viii) any act of war (whether or not declared), armed hostilities or terrorism; or (ix) the failure to meet any projections, guidance, budgets, forecasts or estimates (provided that, in the case of this clause (ix) the underlying causes may be considered), except, in the case of each of clause (i), (ii), (iii), (vii) or (viii) to the extent the Panther Entities, taken as a whole, are disproportionately affected by such Event(s), relative to other similarly sized and situated companies in the residential and commercial building product manufacturing sector, and then only to the extent of such disproportion.
"Panther Material Contracts" has the meaning set forth in Section 4.12(b).
"Panther Midco" means Ply Gem Midco, Inc., a Delaware corporation.
"Panther Owned Real Property" has the meaning set forth in Section 4.9(a).
"Panther Real Property Lease" has the meaning set forth in Section 4.9(b).
"Panther Products" has the meaning set forth in Section 4.23(a).
"Panther Related Person" has the meaning set forth in Section 4.12(a)(i).
"Panther SEC Documents" has the meaning set forth in Section 4.7(a).
"Panther Tax Certificate" has the meaning set forth in Section 6.13(b).
"Panther Tax Counsel" has the meaning set forth in Section 6.13(b).
"Parachute Payments" has the meaning set forth in Section 6.9(d).
"Payoff Letter" has the meaning set forth in Section 6.15.
"PBGC" means the Pension Benefit Guaranty Corporation.
"Percentage Interest of Holders" means the percentage interest set forth next to each Holder's name on a schedule to be delivered by Panther to Neptune on the second (2nd) Business Day prior to the Closing Date, which schedule shall be in the form of the example schedule attached as Schedule III hereto.
"Permits" means all permits, approvals, consents, licenses, franchises, exemptions and other authorizations, consents and approvals of or from Governmental Entities.

TABLE OF CONTENTS

"Permitted Encumbrances" means with respect to any Person, (a) statutory Encumbrances for Taxes not yet due and payable or the amount or validity of which is being contested in good faith by appropriate Proceedings and for which adequate accruals or reserves (based on good faith estimates of management) have been established in accordance with GAAP, (b) mechanics', vendors', materialmen's, carriers', workers', landlords', repairers', warehousemen's, construction and similar statutory Encumbrances arising or incurred in the ordinary course of business that, in the aggregate, do not materially impair the present or intended use and operation of the assets to which they relate, (c) Encumbrances imposed or promulgated by applicable Law or any Governmental Entity with respect to real property, including zoning, entitlement, building and other land use regulations, (d) Encumbrances arising under workers' compensation, unemployment insurance, social security, retirement and similar legislation or (e) Encumbrances securing Indebtedness of Neptune or Panther or their respective Subsidiaries, to the extent the terms of such Indebtedness require the incurrence of such Encumbrances.

"Per Interest Merger Consideration" has the meaning set forth in Section 2.1(a).

"Person" means an individual, a group (including a "group" under Section 13(d) of the Exchange Act), a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a Governmental Entity or any department, agency or political subdivision thereof.

"Proceeding" means any actions, suits, claims, hearings, inquiries, examinations, investigations or other proceedings.

"Proxy Statement" has the meaning set forth in Section 3.23.

"Recused Directors" means the members of the Neptune Board listed on Schedule IV.

"Registration Rights Agreement" has the meaning set forth in Section 1.6.

"Regulatory Law" means the Sherman Act of 1890, as amended, the Clayton Antitrust Act of 1914, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other federal, state or foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws, including any antitrust, competition or trade regulation Laws, that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger or acquisition.

"Related Party Transaction" has the meaning set forth in Section 3.20.

"Release" means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping, or disposing.

"Representatives" means directors, officers, employees, accountants, consultants, legal counsel, investment bankers, advisors, agents and other representatives of a party (provided that none of the directors set forth on Schedule IV shall be deemed Representatives of Neptune).

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shared Expenses" has the meaning set forth in Section 8.4.

"Special Committee" has the meaning set forth in the recitals.

"Sponsor" has the meaning set forth in the preamble hereto.

"Stockholders Agreement" has the meaning set forth in Section 1.5.

"Subsidiary" means with respect to any party, any corporation, partnership, limited liability company or other legal entity or organization, whether incorporated or unincorporated, of which: (a) such party or any other Subsidiary of such party is a general partner or a managing member or has similar authority; or (b) at least a majority of the securities or other interests having by their terms ordinary voting power to

TABLE OF CONTENTS

elect a majority of the board of directors or others performing similar functions with respect to such corporation, partnership, limited liability company or other legal entity or organization is, directly or indirectly, owned or controlled by such party or by any one or more of its Subsidiaries.

"Surviving Corporation" has the meaning set forth in Section 1.1(a).

"Tax" means any and all taxes, duties, levies or other governmental assessments of any kind, including income, gross receipts, branch profits, license, payroll, employment, excise, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, ad valorem, value added, alternative or add-on minimum, estimated taxes and any other tax of any kind whatsoever, imposed by any Governmental Entity, including any interest, penalty or addition to tax imposed with respect thereto.

"Tax Returns" means any return, report, statement, claim for refund, or information return filed or required to be filed with any Governmental Entity relating to Taxes, and any schedule or attachment thereto and any amendment thereof.

"Termination Fee" has the meaning set forth in Section 8.3(g).

"Transaction Agreements" means this Agreement, the Stockholders Agreement, the Registration Rights Agreement, the Confidentiality Agreement and each agreement, certificate and other document required to be delivered at the Closing pursuant to the terms of this Agreement.

"Transactions" has the meaning set forth in the recitals.

"Transaction Directors" means members of the Neptune board other than the Recused Directors.

"Treasury Regulations" means the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references in this Agreement to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar or substitute, temporary or final Treasury Regulations.

"WARN Act" has the meaning set forth in Section 3.16(j).

"Willful Breach" means a breach that is the consequence of an act by the breaching party or the failure by the breaching party to take an act it is required to take under this Agreement where such breaching party knew, or a reasonable person would have reasonably expected, that the taking of or failure to take such act would, or would be reasonably expected to, cause or result in a material breach of this Agreement.

ARTICLE X
SURVIVAL

10.1 Non-Survival of Representations and Warranties. Except for this Article X and Section 6.8 (Indemnification of Directors and Officers), none of the representations, warranties, covenants or other agreements in this Agreement, or in any schedule, certificate, instrument or other document delivered pursuant to this Agreement, shall survive the Effective Time or, except as provided in Section 8.2, the termination of this Agreement. For the avoidance of doubt, this Section 10.1 shall not limit any covenant or agreement of the parties that by its terms contemplates performance, in whole or in part, after the Effective Time. The Confidentiality Agreement shall survive termination of this Agreement in accordance with its terms.

ARTICLE XI
MISCELLANEOUS

11.1 Notices. Any notice or other communication required or permitted under, or otherwise in connection with, this Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered in person; (b) when received when sent by email by the party to be notified; provided, however, that notice given by email shall not be effective unless either (i) a duplicate copy of such email notice is promptly

TABLE OF CONTENTS
given by one of the other methods described in this Section 11.1 or (ii) the receiving party delivers a written confirmation of receipt for such notice either by email or any other method described in this Section 11.1; or (c) when delivered by a national courier (with confirmation of delivery), in each case addressed as follows:
Notices to Panther (prior to the Transactions):

Ply Gem Parent, LLC
5020 Weston Parkway, Suite 400
Cary, NC 27513
Attention:
Tim Johnson

Email:
tim.johnson@plygem.com

And copies to (which shall not constitute notice):

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attention:
Paul S. Bird
Christopher Anthony

Email:
psbird@debevoise.com
canthony@debevoise.com

Notices to the Fund:

Clayton, Dubilier & Rice, LLC
375 Park Avenue, 18th Floor
New York, NY 10152
Attention:
Nathan K. Sleeper; J.L. Zrebiec

Email:
nsleeper@cdr-inc.com; jzrebiec@cdr-inc.com

And copies to (which shall not constitute notice):

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attention:
Paul S. Bird
Christopher Anthony

Email:
psbird@debevoise.com
canthony@debevoise.com

Notices to Neptune and the Surviving Corporation (after the Transactions):

NCI Building Systems, Inc.
10943 North Sam Houston Parkway West
Houston, TX 77063
Attention:
Todd Moore

Email:
TRMoore@ncigroup.com

And a copy to (which shall not constitute notice):

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Telephone:
(212) 403-1000

Email:
MGordon@wlrk.com

Attention:
Mark Gordon

TABLE OF CONTENTS

11.2 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the Transactions are fulfilled to the extent possible.

11.3 Entire Agreement. This Agreement, the exhibits hereto, the Neptune Disclosure Letter, the Panther Disclosure Letter and the other documents delivered pursuant hereto and the Confidentiality Agreement constitute the entire agreement of the parties and supersede all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter of this Agreement.

11.4 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties, in whole or in part (whether by operation of Law or otherwise), without the prior written consent of the other parties, and any attempted or purported assignment without such consent shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

11.5 Extension; Waiver. At any time prior to the Effective Time, the parties, by action taken or authorized by their respective boards of directors, may to the extent legally allowed, (a) extend the time for performance of any of the obligations or other acts of the other parties hereunder, (b) waive any breach or inaccuracy in the representations and warranties of the other parties contained herein or in any document delivered pursuant hereto and (c) waive compliance by the other parties of any of the agreements or conditions contained herein. Notwithstanding the foregoing, no failure or delay by any party in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any right hereunder. No agreement on the part of a party hereto to any extension or waiver shall be valid, unless set forth in an instrument in writing signed on behalf of such party.

11.6 Third-Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit, claim, action or remedy of any nature whatsoever under or by reason of this Agreement, other than (i) the rights of any Indemnified Parties solely pursuant to Section 6.8 (which shall not arise unless and until the Effective Time shall occur) and (ii) as set forth in Section 11.13 with respect to the Financing Parties.

11.7 Interpretation.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to an Article, Section, Schedule or Exhibit, such reference shall be to an Article of, a Section of, a Schedule to or an Exhibit to this Agreement, unless otherwise indicated. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars, “$” refers to United States dollars and all payments hereunder shall be made in United States dollars by wire transfer in immediately available funds to such account as shall have been specified in writing by the recipient thereof.

(c) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

TABLE OF CONTENTS

(d) Unless the context otherwise requires, as used in this Agreement, (i) words defined in the singular have the parallel meaning in the plural and vice versa; (ii) words of one gender shall be construed to apply to each gender; (iii) the term “party” refers to a party to this Agreement and the term “parties” refers to all the parties to this Agreement; provided that, for the avoidance of doubt, Sponsor shall be deemed a party solely for purposes of Sections 6.1(e), 6.5(a)(i), 6.5(a)(ii), 6.5(a)(iv), 6.5(b) and 6.5(c); and (iv) a reference to any Person includes such Person’s successors and permitted assigns.

(e) “Writing,” “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any statute shall be deemed to refer to such statute and to any rules or regulations promulgated thereunder. References to any Contract are to that Contract as amended, modified or supplemented (including by waiver or consent) from time to time in accordance with the terms hereof and thereof. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period in question shall end on the next succeeding Business Day. References to any period of days will be deemed to be to the relevant number of calendar days, unless otherwise specified.

(f) The phrase “made available” with respect to documents shall be deemed to include any documents included and available to Neptune and its Representatives or Panther and its Representatives, as applicable, in the applicable virtual data rooms hosted by Merrill Corporation and Intralinks with respect to Panther documents or Intralinks with respect to Neptune documents, respectively, in connection with the Transactions on or prior to 5:00 p.m. New York City time on June 16, 2018. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if.”

11.8 Governing Law and Venue; Consent to Jurisdiction.

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN, AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

(b) The parties hereby irrevocably submit to the personal jurisdiction of the courts of the State of Delaware and the federal courts of the United States of America located in the State of Delaware solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the Transactions, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Agreement or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties irrevocably agree that all claims relating to such action, proceeding or transactions shall be heard and determined in such a Delaware state or federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and, to the extent permitted by Law, over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 11.1 or in such other manner as may be permitted by Law shall be valid and sufficient service thereof.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO

TABLE OF CONTENTS
ENFORCE THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.8(c).

11.9 Disclosure Letters. The Neptune Disclosure Letter, Panther Disclosure Letter and all exhibits and schedules attached hereto and referred to herein are hereby incorporated herein and made a part hereof for all purposes as if fully set forth herein. The statements in the Neptune Disclosure Letter and Panther Disclosure Letter relate to the provisions in the section of this Agreement to which they expressly relate; provided, however, that any information set forth in one section of the Neptune Disclosure Letter or Panther Disclosure Letter, as the case may be, shall also be deemed to apply to each other section to which its relevance is reasonably apparent. In the Neptune Disclosure Letter and Panther Disclosure Letter, (a) all capitalized terms used but not defined therein shall have the meanings assigned to them in this Agreement; (b) the section numbers correspond to the section numbers in this Agreement; and (c) inclusion of any item (i) does not represent a determination that such item is material or establish a standard of materiality, (ii) does not represent a determination that such item did not arise in the ordinary course of business and (iii) shall not constitute, or be deemed to be, an admission to any third party concerning such item.

11.10 Specific Performance. The parties acknowledge and agree that each would be irreparably damaged in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and that any non-performance or breach of this Agreement by any party could not be adequately compensated by money damages alone and that the parties would not have any adequate remedy at law. Each party agrees that, in the event of any breach or threatened breach by any other party of any provisions contained in this Agreement, the non-breaching party shall be entitled (in addition to any other remedy that may be available to it whether in law or equity, including monetary damages, except as limited by Section 8.4) to seek and to obtain a decree or order of specific performance to enforce the observance and performance of such provisions, and an injunction restraining such breach or threatened breach. Each party further agrees that no other party or any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 11.10, and each party irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. The parties further agree that they shall not object to the granting of any injunctive relief on the basis that an adequate remedy at law may exist.

11.11 Facsimiles; Counterparts. This Agreement may be executed by facsimile signatures or by electronic image scan transmission in .pdf format by any party and such signature shall be deemed binding for all purposes hereof, without delivery of an original signature being thereafter required. This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

11.12 Amendment. Subject to the provisions of applicable Law, and except as otherwise provided in this Agreement, including Section 11.13 below, this Agreement may be amended, modified or supplemented only by a written instrument executed and delivered by all the parties whether before or after approval of the Merger or the other Transactions; provided, however, that, after any such approval, no amendment shall be made for which applicable Law or the rules of any relevant stock exchange requires further approval by stockholders or members without such further approval.

11.13 Financing Parties. Notwithstanding anything in this Agreement to the contrary, each of the parties hereto on its own behalf and on behalf of its Subsidiaries hereby: (a) agree that any Proceeding, whether in law or in equity, whether in contract or in tort or otherwise, involving the Financing Parties, arising out of or relating to, this Agreement, the Financing or any of the agreements (including the Debt Commitment Letter) entered into in connection with the Financing or any of the transactions contemplated hereby or thereby or the performance of any services thereunder shall be subject to the exclusive jurisdiction of any federal or state court in the Borough of Manhattan, New York, New York, so long as such forum is and remains available, and any appellate court thereof and each party hereto irrevocably submits itself and its property with respect to any such Proceeding to the exclusive jurisdiction

TABLE OF CONTENTS

of such court, (b) agrees that any such Proceeding shall be governed by the laws of the State of New York (without giving effect to any conflicts of law principles that would result in the application of the laws of another state), (c) agrees not to bring or support or permit any of its Affiliates to bring or support any Proceeding of any kind or description, whether in law or in equity, whether in contract or in tort or otherwise, against any Financing Party in any way arising out of or relating to, this Agreement, the Financing, the Debt Commitment Letter or any of the transactions contemplated hereby or thereby or the performance of any services thereunder in any forum other than any federal or state court in the Borough of Manhattan, New York, New York, (d) irrevocably waives, to the fullest extent that it may effectively do so, the defense of an inconvenient forum to the maintenance of such Proceeding in any such court, (e) knowingly, intentionally and voluntarily waives to the fullest extent permitted by applicable law trial by jury in any Proceeding brought against the Financing Parties in any way arising out of or relating to, this Agreement, the Financing, the Debt Commitment Letter or any of the transactions contemplated hereby or thereby or the performance of any services thereunder, (f) agrees that none of the Financing Parties will have any liability to any of the parties hereto or their respective Affiliates relating to or arising out of this Agreement, the Financing or otherwise, whether at law, or equity, in contract, in tort or otherwise, other than, with respect to the parties thereto, pursuant to the Debt Commitment Letter or any definitive agreement entered into in connection with the Financing, and no party hereto nor any of their respective Affiliates will have any rights or claims against any of the Financing Parties hereunder, (g) agrees the Financing Parties are express third-party beneficiaries of, and may enforce, any of the provisions in this Agreement reflecting the foregoing agreements and (h) agrees that none of Section 11.6, Section 11.12, this Section 11.13 or the definition of "Financing Parties" (and any other provision of this Agreement to the extent an amendment or waiver of such provision would modify the substance of any of the foregoing provisions) shall be amended, waived, supplemented or otherwise modified in any way adverse to the Financing Parties without the prior written consent of the Committed Lenders.

[Signature pages follow]

TABLE OF CONTENTS

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

PLY GEM PARENT, LLC

By:
/s/ Gary E. Robinette

Name: Gary E. Robinette
Title: Chief Executive Officer

Clayton, Dubilier & Rice, LLC solely for the purposes of Sections 6.1(e), 6.5(a)(i), 6.5(a)(ii), 6.5(a)(iv), 6.5(b) and 6.5(c).

By:
/s/ Theresa A. Gore

Name: Theresa A. Gore
Title: Vice President, Treasurer and Assistant Secretary

[Signature Page to the Agreement and Plan of Merger]

TABLE OF CONTENTS

NCI BUILDING SYSTEMS, INC.

By:
/s/ Todd R. Moore

Name: Todd R. Moore
Title: EVP & General Counsel

[Signature Page to the Agreement and Plan of Merger]

TABLE OF CONTENTS

Annex B

FORM OF STOCKHOLDERS AGREEMENT

Stockholders AGREEMENT

BY AND AMONG

nci building systems, Inc.,

Clayton, Dubilier & Rice Fund VIII, L.P.,

CD&R FRIENDS & FAMILY FUND VIII, L.P.,

CD&r PISCES HOLDINGS, L.P.

GGC BP Holdings, LLC

AIC Finance Partnership, L.P.

and

Atrium Intermediate Holdings, LLC

DATED AS OF [•], 2018

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

THIS STOCKHOLDERS AGREEMENT (this "Agreement"), dated as of [•], 2018, is made by and among NCI Building Systems, Inc., a Delaware corporation, Clayton, Dubilier & Rice Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R Fund VIII"), CD&R Friends & Family Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R FF Fund VIII"), CD&R Pisces Holdings, L.P., a Cayman Islands exempted limited partnership ("CD&R Pisces"), and Atrium Intermediate Holdings, LLC, a Delaware limited liability company ("Atrium"), and GGC BP Holdings, LLC, a Delaware limited liability company, and AIC Finance Partnership, L.P., a Cayman Islands exempted limited partnership ("AIC" and, together with Atrium and GGC, the "Golden Gate Investor Group," and each of Atrium, AIC and GGC, a "Golden Gate Investor"). Each of CD&R Fund VIII, CD&R FF Fund VIII and CD&R Pisces is sometimes referred to herein as a "CD&R Investor" and, collectively, as the "CD&R Investor Group." The Golden Gate Investor Group and the CD&R Investor Group are collectively referenced herein as the "Investors."

WITNESSETH:

WHEREAS, the Company (as herein defined) and CD&R Fund VIII entered into an Investment Agreement, dated August 14, 2009, pursuant to which the Fund VIII CD&R Investors (as defined herein) purchased and acquired from the Company, and the Company issued and sold to the CD&R Fund VIII Investors, shares of a newly created series of preferred stock designated the Series B Cumulative Convertible Participating Preferred Stock, par value $1.00 per share of the Company (the "Series B Preferred Stock"), which was convertible into shares of Common Stock, par value $.01 per share of the Company (the "Common Stock");

WHEREAS, as of the date of this Agreement, there is no Series B Preferred Stock issued or outstanding, and the CD&R Fund VIII Investors hold shares of Common Stock previously issued upon the conversion of Series B Preferred Stock;

WHEREAS, the Company, CD&R Fund VIII and CD&R FF Fund VIII entered into that certain Stockholders Agreement, dated October 20, 2009 (the "2009 Stockholders Agreement");

WHEREAS, the Company, CD&R Fund VIII and CD&R FF Fund VIII wish to terminate the 2009 Stockholders Agreement upon entry into this Agreement;

WHEREAS, the Company, Ply Gem Parent, LLC, a Delaware limited liability company, and Clayton, Dubilier & Rice, LLC entered into an Agreement and Plan of Merger, dated 17, 2018 (as it may be amended from time to time, the "Merger Agreement"), pursuant to which CD&R Pisces and each Golden Gate Investor were issued shares of Common Stock; and

WHEREAS, the Investors and the Company desire to set forth certain terms and conditions regarding the Investors' ownership of Common Stock, including certain restrictions on the Transfer (as defined herein) of Common Stock and on certain actions of the Investors and their Affiliates with respect to the Company, and to provide for, among other things, subscription rights, corporate governance rights and consent rights, and other obligations and rights;

NOW, THEREFORE, in consideration of the premises and of the respective representations, warranties, covenants and conditions contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Certain Definitions. In addition to other terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the meanings ascribed to them below. All terms used and not defined in this Agreement shall have the meanings assigned to them in the Merger Agreement.

"10% Holder" shall mean a Person or Group Beneficially Owning securities of the Company entitling such Person or Group to cast a number of votes in excess of 10% of the Aggregate Voting Power.

"2009 Stockholders Agreement" shall have the meaning set forth in the Recitals hereto.

TABLE OF CONTENTS

"ABL Credit Agreement" shall mean that certain ABL Credit Agreement, dated as of April 12, 2018, among the Company (as successor by merger to Ply Gem Midco, Inc., as parent borrower, the U.S. subsidiary borrowers from time to time party thereto, the Canadian borrowers from time to time party thereto, the lenders and issuing lenders from time to time party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent, and the other parties thereto, as the same may be amended, supplemented, waived or otherwise modified from time to time.

"Affiliate" shall mean, with respect to any Person, any other Person that directly, or through one or more intermediaries, controls or is controlled by or is under common control with such Person. For purposes of this Agreement, "control" shall mean, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise (and the terms "controlled by" and "under common control with" shall have correlative meanings).

"Affiliate Transactions" shall mean any transactions between the Company and its Controlled Affiliates, on the one hand, and any of the Investors or their Affiliates (other than the Company and its Controlled Affiliates), on the other hand; provided that none of the following shall constitute an Affiliate Transaction:

(i) acquisitions of securities, or payments, transactions, Board of Director rights, access rights, anti-dilution rights, registration rights, subscription rights and the other matters governed by this Agreement, the Merger Agreement or the Registration Rights Agreement;

(ii) customary compensation arrangements (whether in the form of cash or equity awards), expense reimbursement, D&O insurance coverage, and indemnification arrangements (and related advancement of expenses) in each case for CD&R Investor Directors and Board Observers; or

(iii) transactions and arrangements in the ordinary course of business and on arm's-length third-party terms with any portfolio company held or managed by the CD&R Investor Group or the CD&R Parent Controlled Affiliate and not involving in excess of $4 million per annum with respect to any such portfolio company and $20 million per annum with respect to all such portfolio companies.

"Aggregate Voting Power" shall mean, as of any date, the number of votes that may be cast by all holders of Common Stock voting together as a single class on any matter on which the holders of Common Stock are entitled to vote.

"Agreement" shall have the meaning set forth in the preamble.

"Bankruptcy Exceptions" shall have the meaning set forth in Section 2.1(c).

"Beneficially Own" shall mean, with respect to any securities, having "beneficial ownership" of such securities for purposes of Rule 13d-3 or 13d-5 under the Exchange Act as in effect on the date hereof, and "Beneficial Ownership" shall have the corresponding meaning; provided that (i) the CD&R Investor Group, the Golden Gate Investor Group and their respective Affiliates shall not be deemed to "Beneficially Own" any securities of the Company held or owned by any CD&R Investor Portfolio Company or any Golden Gate Investor Portfolio Company, (ii) the CD&R Investor Group shall not be deemed to "beneficially own" any securities of the Company held or owned by any member of the Golden Gate Investor Group and (iii) the Golden Gate Investor Group shall not be deemed to "beneficially own" any securities of the Company owned by any member of the CD&R Investor Group.

"Board" shall mean the Board of Directors the Company.

"Board Observer" shall have the meaning set forth in Section 3.1(c)(iii).

"Business Combination" shall mean (i) any reorganization, consolidation, merger, share exchange, tender or exchange offer or other business combination or similar transaction involving the Company with any Person or (ii) the sale, assignment, conveyance, transfer, exchange, lease or other disposition (including by liquidation or dissolution of the Company) by the Company of all or substantially all of its assets to any Person.

TABLE OF CONTENTS
“Business Day” shall mean any day other than a Saturday, Sunday or a legal holiday in New York City or Houston, or any other day on which commercial banks in New York City or Houston are authorized or required by Law or government decree to close.
“By-laws” shall mean the By-laws of the Company, as amended from time to time (subject to Section 6.1(a)(x)).
“Cash Flow Credit Agreement” shall mean that certain Cash Flow Credit Agreement, dated as of April 12, 2018, among the Company (as successor by merger to Ply Gem Midco, Inc.), as borrower, the several banks and other financial institutions from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, as the same may be amended, supplemented, waived or otherwise modified from time to time.
“CD&R Director” shall mean any CD&R Nominee elected or appointed to the Board, from time to time, including, for the avoidance of doubt, the principals or partners of CD&R Parent who are designated as such on Schedule 3.1(a) during such individual’s service on the Board.
“CD&R FF Fund VIII” shall have the meaning set forth in the preamble.
“CD&R Fund VIII” shall have the meaning set forth in the preamble.
“CD&R Investor Consent Action” shall mean any of the actions of the Company requiring the consent of the CD&R Investor Group pursuant to ARTICLE VI.
“CD&R Investor Director” shall mean any CD&R Investor Nominee who is elected or appointed to the Board.
“CD&R Investor Director Number” shall mean a number of directors that is the lesser of (x) the number that is proportionate to the CD&R Investor Voting Interest, rounded to the nearest whole number, and (y) the number that is one (1) less than the number of Independent Non-CD&R Investor Directors at the relevant time.
“CD&R Investor Group” shall have the meaning set forth in the preamble.
“CD&R Investor Independent Director” shall mean any CD&R Investor Independent Nominee who is elected or appointed to the Board, from time to time, and the directors on the Initial Board who are designated as such on Schedule 3.1(a).
“CD&R Investor Independent Nominee” shall mean an individual who (i) is designated by the CD&R Investor Group in writing to the Company for election to the Board, or is designated as a replacement director for appointment to the Board, pursuant to Section 3.1(c)(i) or Section 3.1(c)(ii) and (ii) would be an Independent Director upon such individual’s appointment or election to the Board.
“CD&R Investor Nominee” shall mean a CD&R Nominee, a CD&R Investor Independent Nominee or an Other CD&R Investor Nominee.
“CD&R Investor Portfolio Company” shall mean any portfolio company of CD&R Parent or any of the CD&R Investors with respect to which neither CD&R Parent, nor any CD&R Investor nor any of their respective Affiliates (excluding such portfolio company and its Controlled Affiliates) exercises control over investment decisions with respect to the Company’s securities, or encouraged, influenced or facilitated any such decision or action by such portfolio company with respect to the Company’s securities; provided that (a) neither CD&R Parent, nor any of the CD&R Investors nor any of their respective Affiliates (excluding such portfolio company and its Controlled Affiliates) shall provide or have provided to such portfolio company or any of its Controlled Affiliates any non-public information concerning the Company or any Subsidiary of the Company, and (b) such portfolio company is not acting at the request or direction of or in coordination with any of CD&R Parent, any CD&R Investor or any of their respective Controlled Affiliates (excluding such portfolio company and its Controlled Affiliates) with respect to the Company’s securities.
“CD&R Investor Rights Period” shall have the meaning set forth in Section 3.1(c)(i).

TABLE OF CONTENTS

"CD&R Investor Rights Termination Event" shall be deemed to have occurred if, at any time following the Closing Date, the CD&R Investor Voting Interest is less than 7.50%.

"CD&R Investor Voting Interest" shall mean, as of any date, with respect to the CD&R Investor Group, the ratio, expressed as a percentage, of (i) the aggregate number of votes that may be cast by holders of Common Stock Beneficially Owned by the CD&R Investor Group at the relevant time, divided by (ii) the Aggregate Voting Power at the relevant time.

"CD&R Investors" shall have the meaning set forth in the preamble.

"CD&R Nominee" shall mean a principal or partner of any of the CD&R Investors or CD&R Parent who is designated by the CD&R Investor Group in writing to the Company as a nominee for election to the Board, or is designated as a replacement director for appointment to the Board, pursuant to Section 3.1(c)(i) or Section 3.1(c)(ii).

"CD&R Parent" shall mean any entity that is or performs the functions of, directly or indirectly, the managing member or general partner of any CD&R Investor or is the investment manager with respect to such entity and all such entities collectively.

"CD&R Pisces" shall have the meaning set forth in the preamble.

"CD&R Parent Controlled Affiliate" shall mean CD&R Parent and any individuals that are partners, managing members or have similar titles with respect thereto, together with the Controlled Affiliates of any of them or of any CD&R Investor or any entity with respect to which CD&R Parent is the investment manager.

"CD&R Standstill Termination Event" shall be deemed to have occurred on the last day of the first continuous six-month period during which the CD&R Investor Voting Interest is less than 10.0%.

"Certificate of Incorporation" shall mean the Company's Restated Certificate of Incorporation, as amended from time to time (subject to Section 6.1(a)(x)).

"Change of Control" shall mean, with respect to the Company, the occurrence of any one of the following events:

(i) any Person or Group (other than the CD&R Investors and their Affiliates) hold or acquiring, directly or indirectly, a Voting Interest greater than 50%;

(ii) the consummation of a Non-Qualified Business Combination; or

(iii) the number of directors who are not Continuing Directors and who are nominated by any Person or Group (other than the CD&R Investors and their Affiliates) constituting at least a majority of directors that would constitute the full Board if there were no vacancies.

"Change of Control Event" shall mean a Change of Control has been consummated.

"Class I" shall mean the class of directors whose term of office shall expire at the 2021 meeting of the stockholders of the Company.

"Class II" shall mean the class of directors whose term of office shall expire at the 2019 annual meeting of the stockholders of the Company.

"Class III" shall mean the class of directors whose term of office shall expire at the 2020 annual meeting of the stockholders of the Company.

"Common Stock" shall have the meaning set forth in the Recitals hereto.

"Company" shall mean NCI Building Systems, Inc., a Delaware corporation, and its successors and assigns.

TABLE OF CONTENTS

"Company Default Event" shall mean, at any time prior to a CD&R Investor Rights Termination Event, either of the following events:

(i) the failure of any CD&R Investor Nominee to be elected to the Board within 45 calendar days following any annual or special meeting of stockholders of the Company at which such individual stood for election but was nevertheless not elected, provided that there shall be no Company Default Event as a result of this clause (i) if such individual (or an alternate designated by the CD&R Investor Group) is elected or appointed to the Board (regardless of whether such individual accepts such appointment or complies with any obligations relating to such individual's appointment or service) prior to the expiration of such 45-day period; or

(ii) the removal of a CD&R Investor Director from the Board without cause other than by action, or at the request or direction, directly or indirectly, of the CD&R Investor Group.

"Competitor" shall mean any Person that manufactures, engineers, markets, sells or provides, within North America, (i) metal building systems or components (including, without limitation, primary and secondary framing systems, roofing panels and/or systems, end or side wall panels, sectional or roll-up doors, insulated metal panels, windows, or other metal components of a building structure), (ii) coated or painted steel or metal coils, (iii) coil coating or coil painting services, (iv) vinyl or aluminum windows, (v) vinyl or aluminum siding, fencing and stone products or (vi) the engineering, marketing, selling and providing of the items referred to in clauses (i) – (v) in the aggregate either (x) is the primary business of such Person or (y) such Person and its Affiliates generated revenue from such items for the twelve (12) months comprising its most recently completed four fiscal quarters equal to or greater than 50% of the aggregate revenue of the Company during such period.

"Continuing Directors" shall mean (i) the directors who constitute the Initial Board, (ii) any person becoming a director subsequent to the date of this Agreement whose election or nomination for election was approved by the affirmative majority vote of the directors who are Continuing Directors at the time of such election or nomination (either by a specific vote or by approval of the proxy statement of the relevant party in which such Person is named as a nominee for director, without written objection to such nomination), (iii) all Unaffiliated Shareholder Directors and (iv) all CD&R Investor Directors, even if the individuals serving as CD&R Investor Directors should change.

"Controlled Affiliate" shall mean any Affiliate of the specified Person that is, directly or indirectly, controlled (as defined in the definition of "Affiliate") by the specified Person.

"Covered Securities" shall mean any equity of the Company (including Common Stock, preferred stock or restricted stock), or any Equity Equivalents, in each case, other than Excluded Securities.

"Designated Securities" shall have the meaning set forth in Section 5.2(a).

"Directed Offer" shall mean any so-called "registered direct" sale, block trade or other similar offering or Transfer that is not widely distributed.

"Disclosed Party" shall have the meaning set for in Section 8.1(b).

"Disclosing Party" shall have the meaning set for in Section 8.1(b).

"Equity Equivalents" shall mean any securities, options or debt of the Company that are convertible or exchangeable into equity of the Company (or securities, options or debt convertible into or exercisable therefor), or that include an equity component (such as an "equity" kicker) (including any hybrid security).

"Exchange Act" shall mean the Securities Exchange Act of 1934, or any successor federal statute, and the rules and regulations promulgated thereunder, all as amended, and as the same may be in effect from time to time.

"Excluded Securities" shall mean any securities that are (i) issued by the Company pursuant to any employment contract, employee or benefit plan, stock purchase plan, stock ownership plan, stock option or equity compensation plan or other similar plan, to or for the benefit of any employees (including new employees), officers or directors of the Company or any of its Subsidiaries, (ii) issued by the Company in connection with business combinations, mergers, or acquisitions of assets or securities of another Person,

TABLE OF CONTENTS

or (iii) issued upon the conversion, exchange or exercise of any security or right or purchase obligation that either (x) is outstanding as of the date hereof in accordance with its terms as such terms exist as of the date hereof or (y) becomes outstanding after the date hereof if the security being converted, exchanged or exercised, was issued after the date hereof and was a Covered Security at the time of its issuance.

"Fund VIII CD&R Investors" shall mean CD&R Fund VIII and CD&R FF Fund VIII.

"Golden Gate Investor" shall have the meaning set forth in the preamble.

"Golden Gate Investor Group" shall have the meaning set forth in the preamble.

"Golden Gate Investor Portfolio Company" shall mean any portfolio company of Golden Gate Parent or a Golden Gate Investor with respect to which neither Golden Gate Parent, nor such Golden Gate Investor nor any of their respective Affiliates (excluding such portfolio company and its Controlled Affiliates) exercises control over investment decisions with respect to the Company's securities, or encouraged, influenced or facilitated any such decision or action by such portfolio company with respect to the Company's securities; provided, that (a) neither Golden Gate Parent, a Golden Gate Investor or any of its Affiliates (excluding such portfolio company and its Controlled Affiliates) shall provide or have provided to such portfolio company or any of its Controlled Affiliates any non-public information concerning the Company or any Subsidiary of the Company and (b) such portfolio company is not acting at the request or direction of or in coordination with any of Golden Gate Parent, Golden Gate Investor or any of their respective Controlled Affiliates (excluding such portfolio company and its Controlled Affiliates) with respect to the Company's securities.

"Golden Gate Investor Group Voting Interest" shall mean, as of any date, with respect to the Golden Gate Investor Group, the ratio, expressed as a percentage, of (i) the aggregate number of votes that may be cast by holders of Common Stock Beneficially Owned by the Golden Gate Investor Group at the relevant time, divided by (ii) the Aggregate Voting Power at the relevant time.

"Golden Gate Investor Rights Termination Event" shall be deemed to have occurred if, at any time following the Closing Date, the Golden Gate Investor Group Voting Interest is less than 7.5%.

"Golden Gate Parent" shall mean any entity that is or performs the functions of, directly or indirectly, the managing member or general partner of any Golden Gate Investor or is the investment manager with respect to such entity and all such entities collectively.

"Golden Gate Parent Controlled Affiliate" shall mean Golden Gate Parent and any individuals that are partners, managing members or have similar titles with respect thereto, together with the Controlled Affiliates of any of them or any Golden Gate Investor or any entity with respect to which Golden Gate is the investment manager.

"Golden Gate Standstill Termination Event" shall be deemed to have occurred on the last day of the first continuous six-month period during which the Golden Gate Investor Group Voting Interest is less than 10.0%.

"Group" shall mean any "group" as such term is used in Section 13(d)(3) of the Exchange Act.

"Hedge" shall mean to enter into any agreement, arrangement, transaction or series of transactions, including any swap or any repurchase or similar so-called "stock borrowing" agreement or arrangement, that hedges, mitigates or transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of Common Stock or any other security of the Company, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of Common Stock or any other security of the Company, in each case regardless of whether any such agreement, arrangement transaction or series of transactions is to be settled by delivery of securities, in cash or otherwise.

"Hedging Limitation Period" shall mean, with respect to each CD&R Investor and each Golden Gate Investor, the period from the date hereof until the later of (i) the 30-month anniversary of the Closing Date and (ii) the occurrence of a CD&R Standstill Termination Event, in the case of any CD&R Investor, and a Golden Gate Standstill Termination Event, in the case of each Golden Gate Investor.

TABLE OF CONTENTS

"Indenture" shall mean that certain Indenture, dated as of April 12, 2018, among the Company (as successor by merger to Ply Gem Midco, Inc.), as issuer, the subsidiary guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee, as the same may be amended, supplemented, waived or otherwise modified from time to time.

"Independent Director" shall mean a director who (i) is not an Affiliate of the CD&R Investors, the Golden Gate Investor Group or of the Company and (ii) would qualify as an "Independent Director" pursuant to the listing standards of the NYSE, or, if the securities of the Company are not quoted or listed for trading on the NYSE, pursuant to the rules of the stock exchange on which the securities of the Company are then quoted or listed for trading, with respect to (x) the CD&R Investors, the Golden Gate Investor Group and their respective Affiliates (as if such Persons were listed on the NYSE or such other stock exchange) and (y) the Company (including that such individual has, and in the period starting three (3) years prior to the date of determination and ending on the date of determination has had, no material relationship with either the CD&R Investors, the Golden Gate Investor Group or their respective Affiliates or the Company (excluding such individual's service, if any, as a director on the board of (1) not more than one of the CD&R Investors' or the Golden Gate Investors' portfolio companies, or (2) the Company)).

"Independent Non-CD&R Investor Directors" shall mean the Independent Directors on the Board who are not CD&R Investor Directors.

"Initial Board" shall mean the directors who are members of the Board effective as of the Closing.

"Investors" shall have the meaning set forth in the preamble.

"IRS" shall have the meaning set forth in Section 9.1(b).

"IRS Form" shall have the meaning set forth in Section 9.1(b).

"Law" shall mean applicable federal, state, local or foreign law, statute, ordinance, rule, regulation, judgment, order, injunction, decree or agency requirement of any United States or foreign governmental or regulatory agency, commission, court, body, entity, authority or self-regulatory organization.

"Merger Agreement" shall have the meaning set forth in the Recitals hereto.

"Non-Qualified Business Combination" shall mean a Business Combination that is not a Qualified Business Combination.

"NYSE" shall mean the New York Stock Exchange.

"Other CD&R Investor Director" shall mean any Other CD&R Investor Nominee who is elected or appointed to the Board, from time to time, and the directors on the Initial Board who are designated as such on Schedule 3.1(a).

"Other CD&R Investor Nominee" shall mean an individual who (i) is designated by the CD&R Investor Group in writing to the Company for election to the Board, or is designated as a replacement director for appointment to the Board, pursuant to Section 3.1(c)(i) or Section 3.1(c)(ii), and (ii) is neither a CD&R Nominee nor a CD&R Investor Independent Nominee.

"Parent Controlled Affiliate" shall mean any CD&R Parent Controlled Affiliate, in the case of any CD&R Investor and the CD&R Investor Group, and any Golden Gate Parent Controlled Affiliate, in the case of each Golden Gate Investor and the Golden Gate Investor Group.

"Permitted Increase" shall mean (i) an acquisition of Qualified Debt or (ii) an acquisition of securities of the Company or its Subsidiaries as the result of (A) the exercise of subscription rights pursuant to ARTICLE V, (B) any repurchase or redemption of securities by the Company or (C) any other right of the CD&R Investor Group or transaction contemplated by this Agreement or the other Transaction Documents.

"Permitted Third Party Transferee" shall have the meaning set forth in Section 4.1(b).

"Person" shall mean a legal person, including any individual, corporation, company, partnership, joint venture, association, joint-stock company, trust, limited liability company or unincorporated association, or any other entity or organization, including a government or any agency or political subdivision thereof, or any other entity of whatever nature.

TABLE OF CONTENTS
"Private Placement" shall have the meaning set forth in Section 5.2(b).
"Proceeds" shall mean, for purposes of Section 6.1(a)(iii), the cash proceeds to the Company from the issuance or sale of any capital stock, other than options and warrants, plus, with respect to options and warrants, the aggregate exercise price and/or conversion price that would be received by the Company if all of such options were to be exercised or converted in full.
"Proprietary Information" shall have the meaning set forth in Section 8.1(a).
"Qualified Business Combination" shall mean a Business Combination immediately following which: (i) the individuals and entities that were the Beneficial Owners of Common Stock outstanding immediately prior to such Business Combination Beneficially Own, directly or indirectly, more than 50% of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or equivalent) of the entity resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or indirectly through one or more Subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the voting power of Common Stock, and (ii) no Person or Group (excluding the CD&R Investor Group and their Affiliates) either (x) Beneficially Owns, directly or indirectly, more of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or equivalent) of such entity than the CD&R Investor Group and their Affiliates so Beneficially Own, and, solely in the case of the application of this definition for purposes of clause (iii) of Section 4.1(a), the CD&R Investor Group and their Affiliates shall Beneficially Own, directly or indirectly, more than 17.5% of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or equivalent) of such entity, or (y) Beneficially Owns, directly or indirectly, 25% or more of the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or equivalent) of such entity.
"Qualified Debt" means (i) any term loans advanced pursuant to, or outstanding under, the Cash Flow Credit Agreement and (ii) any notes issued pursuant to, or outstanding under, the Indenture.
"Qualified Debt Holder" shall mean, at any time, any CD&R Investor and any CD&R Parent Controlled Affiliate, in each case that is a holder of record of Qualified Debt at such time.
"Qualified Offering" shall mean any public or nonpublic offering of Covered Securities.
"Registrable Securities" shall have the meaning set forth in the Registration Rights Agreement.
"Registration Rights Agreement" shall mean the Registration Rights Agreement, dated as of the date hereof, executed and delivered among the Company, the CD&R Investors and the Golden Gate Investor Group concurrently with the execution and delivery of this Agreement.
"Securities Act" shall mean the U.S. Securities Act of 1933, and any similar or successor federal statute, and the rules and regulations promulgated thereunder, all as amended, and as the same may be in effect from time to time.
"Series B Preferred Stock" shall have the meaning set forth in the Recitals hereto.
"Standstill Termination Event" shall mean a CD&R Standstill Termination Event, in the case of any CD&R Investor and the CD&R Investor Group, and a Golden Gate Standstill Termination Event, in the case of any Golden Gate Investor and the Golden Gate Investor Group.
"Tax Returns" shall mean any return, report or similar filing (including the attached schedules thereto) filed or required to be filed with respect to Taxes (and any amendments thereto), including any information return, claim for refund or declaration of estimated Taxes.
"Taxes" shall mean any and all domestic or foreign, federal, state, local or other taxes of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity (such Governmental Entity, a "Tax Authority"), including taxes on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, unemployment, social security, workers' compensation or net worth,

TABLE OF CONTENTS

and taxes in the nature of excise, withholding, ad valorem or value added, and including any liability in respect of any items described above as a transferee or successor, or pursuant to Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or foreign Law), or as an indemnitor, guarantor, surety or in a similar capacity under any contract, arrangement, agreement, understanding or commitment (whether oral or written).

"Transfer" shall have the meaning set forth in Section 4.1(a).

"Transferee" shall have the meaning set forth in Section 4.1(a).

"Transfer Exception" shall have the meaning set forth in Section 4.1(a).

"Transfer Limitation Period" shall mean any time during the period from the Closing Date to (a) the date that is 18 months after the Closing Date, with respect to CD&R Pisces, and (b) the later of (i) the date that is 90 days after the Closing Date and (ii) January 31, 2018, with respect to the Fund VIII CD&R Investors and the Golden Gate Investor Group; provided that the Transfer Limitation Period shall terminate upon the occurrence of (x) a Company Default Event or (y) a Change of Control Event.

"Unaffiliated Shareholder" shall mean any Company stockholder who is not Affiliated with the Investors.

"Unaffiliated Shareholder Directors" shall mean any member of the Board who is not (i) a CD&R Investor Director or (ii) the Chief Executive Officer of the Company.

"Underlying Sale" shall have the meaning set forth in Section 5.5.

"Voting Agreement Termination Event" shall mean either of the following: (i) with respect to any CD&R Investor or any Golden Gate Investor, a Change of Control Event, or (ii) with respect to any CD&R Investor, a CD&R Standstill Termination Event, and with respect to any Golden Gate Investor, a Golden Gate Standstill Termination Event.

"Voting Interest" shall mean, as of any date, with respect to a specified Person(s), the ratio, expressed as a percentage, of (i) the aggregate number of votes that may be cast by holders of Common Stock Beneficially Owned by such Person(s) at the relevant time divided by (ii) the Aggregate Voting Power at the relevant time.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Company. The Company represents and warrants to the Investors as of the date hereof as follows:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the Laws of the State of Delaware, and has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company.

(c) This Agreement has been duly authorized, validly executed and delivered by the Company, and assuming due authorization, execution and delivery of this Agreement by the CD&R Investors and the Golden Gate Investors, constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at Law or in equity ("Bankruptcy Exceptions").

TABLE OF CONTENTS

Section 2.2 Representations and Warranties of the CD&R Investor Group. Each of the CD&R Investors represents and warrants to the Company as of the date hereof as follows:

(a) Each of the CD&R Investors has been duly organized and is validly existing and in good standing under the Laws of the jurisdiction of its organization, and has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) The execution, delivery and performance of this Agreement by each of the CD&R Investors and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of such CD&R Investor.

(c) This Agreement has been duly authorized, validly executed and delivered by each of the CD&R Investors, and assuming due authorization, execution and delivery of this Agreement by the Company, constitutes a valid and binding obligation of each of the CD&R Investors, enforceable against each of the CD&R Investors in accordance with its terms, except to the extent that the enforcement thereof may be limited by the Bankruptcy Exceptions.

Section 2.3 Representations and Warranties of the Golden Gate Investor Group. Each Golden Gate Investor represents and warrants to the Company as of the date hereof as follows:

(a) Each of the Golden Gate Investors has been duly organized and is validly existing and in good standing under the Laws of the jurisdiction of its organization, and has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) The execution, delivery and performance of this Agreement by each of the Golden Gate Investors and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of such Golden Gate Investor.

(c) This Agreement has been duly authorized, validly executed and delivered by each of the Golden Gate Investors, and assuming due authorization, execution and delivery of this Agreement by the Company, constitutes a valid and binding obligation of each of the Golden Gate Investors, enforceable against the Golden Gate Investor in accordance with its terms, except to the extent that the enforcement thereof may be limited by the Bankruptcy Exceptions.

ARTICLE III

GOVERNANCE MATTERS; VOTING; STANDSTILL PROVISIONS

Section 3.1 Board of Directors.

(a) Initial Board. The Initial Board shall consist of the individuals set forth on Schedule 3.1(a), each serving, effective as of the Closing, in the class of the Board set forth beside their name on such schedule.

(b) Chief Executive Officer. At all times at which the position of Chief Executive Officer of the Company is filled, one of the members of the Board shall be the Chief Executive Officer of the Company.

(c) CD&R Investor Directors.

(i) CD&R Investor Director Nomination, Appointment and Election. From and after the Closing until the CD&R Investor Rights Termination Event (the “CD&R Investor Rights Period”), the CD&R Investor Group shall be entitled to nominate for election, fill vacancies and appoint replacements for a number of CD&R Investor Directors up to the CD&R Investor Director Number. At each annual meeting or special meeting of stockholders during the CD&R Investor Rights Period at which any directors of the Company are to be elected, the Company shall take all corporate and other actions necessary to cause the applicable CD&R Investor Nominees to be nominated for election as directors on the Board and will use its reasonable best efforts to solicit proxies in favor of the election of such CD&R Investor Nominees to be elected at such meeting, in each case for a term expiring at the annual meeting of stockholders at which the term for directors in such CD&R Investor Nominee’s class of directors shall expire and until such CD&R Investor Nominee’s successor shall have been duly elected and qualified or at such earlier

TABLE OF CONTENTS

time (if any) as such CD&R Investor Nominee may resign, retire, die or be removed as a director of the Company. During the CD&R Investor Rights Period, (1) if the number of CD&R Investor Directors exceeds the CD&R Investor Director Number, unless otherwise requested by the Company by action of the Independent Non-CD&R Investor Directors, the CD&R Investor Group shall promptly (and in any event, if so requested, prior to the time at which the Board next takes any action, whether at a meeting or by written consent) cause one or more of the CD&R Directors or the Other CD&R Investor Directors to resign such that, following the resignations of such individuals, the number of CD&R Investor Directors no longer exceeds the CD&R Investor Director Number at such time; provided, however, that if the number of CD&R Investor Directors exceeds the CD&R Investor Director Number solely due to a vacancy in the number of Independent Non-CD&R Investor Directors, which vacancy the Unaffiliated Shareholder Directors intend to fill, in lieu of causing the resignation of one or more CD&R Directors or the Other CD&R Investor Directors, the CD&R Investor Group may cause one or more CD&R Directors or Other CD&R Investor Directors to recuse himself, herself or themselves from voting or granting consent with respect to any Board action taken until such vacancy is filled such that, during the period of such vacancy, the aggregate number of votes cast or consents granted by the CD&R Investor Directors with respect to any such matter does not exceed the CD&R Investor Director Number, and (2) if the limitations and requirements imposed by Law, regulation or the rules of a stock exchange on which the securities of the Company are quoted or listed for trading require a change to the number of CD&R Investor Directors that are not CD&R Investor Independent Directors, following consultation with the Board, the CD&R Investors shall promptly cause one or more of the CD&R Directors or the Other CD&R Investor Directors to resign and, if, following such resignations, the number of CD&R Investor Directors falls below the CD&R Investor Director Number, CD&R Investor Independent Nominees shall be designated and appointed to the Board in accordance with the terms of Section 3.1(c)(ii) so that, following such appointments, the number of CD&R Investor Directors equals the CD&R Investor Director Number. Notwithstanding anything to the contrary in this Agreement, at all times during the CD&R Investor Rights Period, (x) the CD&R Investor Director Number shall not be less than one (1), and (y) at any time during which the CD&R Investor Director Number is five (5) or more, at least one (1) CD&R Investor Director must be an Independent Director.

(ii) CD&R Investor Director Replacements and Vacancies. The CD&R Directors who are members of the Nominating and Corporate Governance Committee (or if none serve thereon, the remaining CD&R Directors or, if no CD&R Directors remain in office, the CD&R Investor Group) shall have the right to designate (x) any replacement for a CD&R Investor Director upon the death, resignation, retirement or removal from office of such director and (y) fill any other vacancy or vacancies of the Board to the extent that the number of CD&R Investor Directors is less than the CD&R Investor Director Number, and the Company and the Board will use its reasonable best efforts to take all corporate and other actions necessary to cause the CD&R Investor Nominees designated pursuant to this sentence to be appointed to the Board.

(iii) Board Observer. Upon the occurrence of any Company Default Event, the CD&R Investor Group shall have the right to designate an individual (a "Board Observer") to attend (without voting rights) each meeting of the Board or any committee thereof (and to receive from the Company, subject to the execution and delivery of a customary confidentiality agreement, copies of all notices, information and other material it provides to the Board and committees thereof) until such time as such Company Default Event is cured. The Company agrees that each Board Observer shall be entitled to reimbursement for its participation and related expenses as if such Board Observer were a director of the Company.

(iv) CD&R Investor Director Title and Position. Until such time as the CD&R Investor Voting Interest is less than 20%, the CD&R Investor Group shall have the right, in its sole discretion, either (A) to cause one of the CD&R Investor Directors serving on the Executive Committee of the Board to have the title of Chairman of the Executive Committee or (B) to cause one of the CD&R Investor Directors serving on the Board to have the title "Lead Director."

(v) D&O Insurance. During the CD&R Investor Rights Period, the Company (A) agrees that the CD&R Investor Directors shall be entitled to the same rights, privileges and compensation as the other members of the Board in their capacity as such, including with respect to insurance coverage and reimbursement for Board participation and related expenses and (B) shall purchase and maintain, at its own expense, directors and officers liability insurance, from reputable carriers, in an aggregate amount customary for a business of the type and size of the Company, whose shares are listed on a public exchange, on behalf of and covering the individuals who at any time on or after the Closing are or become directors of the Company, against expenses, liabilities or losses asserted against or incurred by such individual in such capacity or arising out of such individual's status as such, subject to customary exclusions; provided that in no event shall such amount of coverage be less than the amount of coverage provided under the Company's directors and officers liability insurance as of the date hereof.

(vi) CD&R Investor Obligations with Respect to CD&R Investor Nominees. With respect to each annual meeting of stockholders of the Company occurring during the CD&R Investor Rights Period, any of the CD&R Investors, on behalf of the CD&R Investor Group shall notify the Company of the individuals it nominates as the applicable CD&R Investor Nominees in writing and shall provide, or cause such individuals to provide, to the Company, such information about such individuals and the nomination to the Company, at such times as the Company may reasonably request in order to ensure compliance with applicable securities Laws and the rules of a stock exchange on which the securities of the Company are quoted or listed for trading, and to enable the Board to make determinations with respect to the qualifications of the individuals to be CD&R Investor Nominees. Notwithstanding the foregoing, a nomination shall be deemed to have been made if a CD&R Director, who is a member of the Nominating and Corporate Governance Committee, shall affirm at a meeting of the Nominating and Corporate Governance Committee that, in such individual's capacity as a representative of the CD&R Investor Group, he or she is making the nomination on behalf of the CD&R Investor Group. The Company shall not be obligated to take actions to elect or appoint to the Board any CD&R Investor Nominee until such CD&R Investor Nominee has been identified and has provided the information required by the preceding sentence to the Company.

(vii) Termination of CD&R Investor Rights. All obligations of the Company pursuant to this Section 3.1(c) shall terminate, and the CD&R Investor Group shall, upon request by the Company by action of the Independent Non-CD&R Investor Directors, cause each CD&R Director and Other CD&R Investor Director to resign from the Board, promptly upon the occurrence of the CD&R Investor Rights Termination Event (and in any event prior to the time at which the Board next takes any action, whether at a meeting or by written consent). As a condition to the nomination, election or appointment of any CD&R Nominee or Other CD&R Investor Nominee, each such individual shall agree in writing with the Company to offer to resign from the Board and/or any committees thereof promptly upon the occurrence of a CD&R Investor Rights Termination Event (and in any event prior to the time at which the Board next takes any action, whether at a meeting or by written consent) or as otherwise required pursuant to this Section 3.1(c) or Section 3.1(e).

(d) Unaffiliated Shareholder Directors.

(i) The number of directors constituting the full Board of directors initially shall be 12, and thereafter shall be set from time to time by the Board by affirmative vote of a majority of the directors then in office, provided that, prior to the CD&R Investor Rights Termination Event, such majority must include a majority of the CD&R Investor Directors and a majority of the Independent Non-CD&R Investor Directors. Until the occurrence of the CD&R Investor Rights Termination Event, the Board at all times shall be comprised of (1) the Chief Executive Officer, (2) such number of CD&R Investor Directors as the CD&R Investor Group determines, not to exceed the CD&R Investor Director Number, (3) Independent Non-CD&R Investor Directors, and (4) up to one (1) additional Unaffiliated Shareholder Director who upon election would not be an Independent Non-CD&R Investor Director, provided that if the election or appointment of such Person would have the effect of reducing the CD&R Investor Director Number, no such Person shall be nominated or appointed without the approval of the CD&R Investor Directors.

TABLE OF CONTENTS

(ii) The Nominating and Corporate Governance Committee shall, so long as Independent Non-CD&R Investor Directors constitute a majority of the Nominating and Corporate Governance Committee, or, if they do not, then the Independent Non-CD&R Investor Directors, acting by majority vote shall, (x) select the individual or individuals to be nominated for election as an Unaffiliated Shareholder Directors at each meeting of stockholders at which Unaffiliated Shareholder Directors are to be elected, (y) (1) select any replacement for an Unaffiliated Shareholder Director upon the death, resignation, retirement or removal from office of any such director and (2) fill any other vacancy or vacancies of the Board other than a vacancy to be filled by a CD&R Investor Nominee, and the Company and the Board will use their reasonable best efforts to take all corporate and other actions necessary to cause the individual or individuals designated pursuant to this sentence to be appointed to the Board.

(iii) At any annual meeting or special meeting of stockholders of the Company at which any Unaffiliated Shareholder Directors are to be elected, the Company shall take all corporate and other actions necessary to nominate for election as directors on the Board each of the Unaffiliated Shareholder Director(s) whose term expires at such meeting (or other individual(s) selected by the Nominating and Corporate Governance Committee or the Independent Non-CD&R Investor Directors (as provided in Section 3.1(d)(ii)).

(iv) During the CD&R Investor Rights Period, each CD&R Investor shall cause each share of Common Stock Beneficially Owned by it to be present in person or represented by proxy at all meetings of stockholders of the Company at which an individual nominated to serve as an Unaffiliated Shareholder Director pursuant to this Section 3.1(d) is to be elected, so that all such shares shall be counted as present for determining the presence of a quorum at such meetings and to vote such shares, at such meetings or at any adjournments or postponements thereof or by written consent, as appropriate, proportionately with the Unaffiliated Shareholders with respect to the nominees who would be Unaffiliated Shareholder Directors upon their election.

(v) Notwithstanding anything to the contrary in this Agreement or in the Certificate of Incorporation, until the CD&R Investor Rights Termination Event, an Unaffiliated Shareholder Director may not be removed except by the affirmative vote (including by written consent) of an Unaffiliated Shareholder or Unaffiliated Shareholders holding 80% of all of the Unaffiliated Shareholders' Voting Interest. During the CD&R Investor Rights Period, each CD&R Investor shall cause each share of Common Stock Beneficially Owned by it to be present in person or represented by proxy at all meetings of stockholders of the Company at which the removal of an Unaffiliated Shareholder Director is to be voted on, so that all such shares shall be counted as present for determining the presence of a quorum at such meetings and (A) in the event that an Unaffiliated Shareholder or Unaffiliated Shareholders holding a majority of all of the Unaffiliated Shareholders' Voting Interest vote (including by written consent) in favor of the removal of an Unaffiliated Shareholder Director, each CD&R Investor shall vote each share of Common Stock Beneficially Owned by it for the removal of such Unaffiliated Shareholder Director and (B) otherwise, each CD&R Investor shall vote (including by written consent) each share of Common Stock Beneficially Owned by it against the removal of such Unaffiliated Shareholder Director.

(e) Committees.

(i) General. Subject to applicable Law, regulation or the rules of a stock exchange on which the securities of the Company are quoted or listed for trading and Section 3.1(e)(ii), for so long as the CD&R Investor Voting Interest is equal to or greater than 20%, the CD&R Investor Group shall also be entitled to representation proportionate to the CD&R Investor Voting Interest (rounded to the nearest whole number) on all committees of the Board, provided that, notwithstanding the foregoing, (i) the CD&R Investor Group shall be entitled to have a minimum of one (1) CD&R Investor Director serving on each committee of the Board (except that (A) where a CD&R Investor Director is in a conflict position, such CD&R Investor Director may not serve on a special committee of the Board, and (B) where any CD&R Investor is in a conflict position, none of the CD&R Directors or Other CD&R Investor Directors may serve on the

TABLE OF CONTENTS

relevant special committee of the Board) and (ii) each committee shall have at least one (1) Independent Non-CD&R Investor Director, and (iii) in no event, shall the CD&R Investor Directors compose a majority of any committee. If as a result of the application of the preceding sentence no CD&R Investor Director may serve on a certain committee, the CD&R Investor Group shall be entitled to appoint a Board Observer to such committee (who shall not have voting rights), so long as any such Board Observer meets any applicable independence rules of the stock exchange on which the securities of the Company are quoted or listed for trading. The CD&R Directors who are members of the Nominating and Corporate Governance Committee (or if none serve thereon, the remaining CD&R Directors or, if no CD&R Directors remain in office, the CD&R Investor Group) shall have the right to designate the CD&R Investor Director(s) to serve as members of a committee, and the Unaffiliated Shareholder Directors shall have the right to designate the Unaffiliated Shareholder Director to serve as a member of a committee, in each case in accordance with this Section 3.1(e)(i).

(ii) Affiliate Transactions Committee. During the CD&R Investor Rights Period, the Board shall establish and maintain an Affiliate Transactions Committee, which shall be comprised of (x) the Unaffiliated Shareholder Directors then in office and (y) one CD&R Investor Independent Director, if a CD&R Investor Independent Director is then serving on the Board, and otherwise, the Chief Executive Officer of the Company serving as a director on the Board. Such Affiliate Transactions Committee shall review, consider and approve any Affiliate Transactions, and no such Affiliate Transactions shall be effected without the prior approval of a majority of the directors on the Affiliate Transactions Committee; provided, that, for so long as the provisions in Article TENTH of the Certificate of Incorporation, as in effect on the date hereof, are still in effect, an Affiliate Transaction that is subject to Article TENTH of the Certificate of Incorporation may be effected in accordance with Section 1(i) thereof if all of the conditions specified in paragraph A of such Section 1 are met, in lieu of the review, consideration or approval of the Affiliate Transactions Committee pursuant to this Section 3.1(e)(ii).

(iii) Termination of CD&R Investor Rights. All obligations of the Company pursuant to Section 3.1(e)(i) and 3.1(e)(ii) shall terminate, and the CD&R Investor Group shall, unless otherwise requested by the Company by action of the Independent Non-CD&R Investor Directors, cause each CD&R Director and Other CD&R Investor Director to resign from each committee of the Board, (x) in the case of Section 3.1(e)(i), if CD&R Investor Voting Interest is less than 20%, and (y) in the case of Section 3.1(e)(ii), upon the occurrence of the CD&R Investor Rights Termination Event.

(f) Listing.

(i) During the CD&R Investor Rights Period, the Company shall keep the CD&R Investor Group informed, on a current basis, of any events, discussions, notices or changes with respect to any Tax (other than ordinary course communications which reasonably could not be expected to be material to the Company), criminal or regulatory investigation or action involving the Company or any of its Subsidiaries (other than routine audits or ordinary course communications which reasonably could not be expected to be material to the Company) that have been brought to the attention of the Board, and reasonably shall cooperate with the CD&R Investor Group, their members or their respective Affiliates in an effort to avoid or mitigate any cost or regulatory consequences to them that might arise from such investigation or action (including by reviewing written submissions in advance, attending meetings with authorities and coordinating, and providing assistance in meeting with regulators).

(ii) From and after the Closing, the Company shall use its reasonable best efforts to maintain the listing of shares of Common Stock after issuance on each securities exchange on which Common Stock is then listed or quoted, and the CD&R Investor Group shall support and not oppose such efforts.

TABLE OF CONTENTS
Section 3.2 Voting. At any time following the Closing, at any and all meetings of stockholders of the Company occurring prior to a Voting Agreement Termination Event, each CD&R Investor and Golden Gate Investor shall cause each share of Common Stock Beneficially Owned by it and its Parent Controlled Affiliate to be present in person or represented by proxy at all meetings of stockholders of the Company, so that all such shares shall be counted as present for determining the presence of a quorum at such meetings and to vote, at such meetings or at any adjournments or postponements thereof or by written consent, (a) in favor of all director nominees nominated by the Board for election by the stockholders in accordance with the terms of this Agreement and the By-laws, (b) as recommended by the Board, on any and all (i) proposals relating to or concerning compensation or equity incentives for directors, officers or employees of the Company adopted in the ordinary course of business consistent with past practice, (ii) proposals by stockholders of the Company (including under Rule 14a-8 of the Exchange Act), and (iii) proposals the subject matter of which is a CD&R Investor Consent Action, provided that, in respect of clauses (i) and (iii) only, that the Board's recommendation is consistent with the CD&R Investor Group's exercise of their consent rights provided in Article VI hereof in connection with such CD&R Investor Consent Action and the submission of such proposal occurred in a reasonably timely manner and such proposal has not failed to receive the requisite number of affirmative votes for the adoption of such proposal since the CD&R Investor Group's exercise of their consent right in connection therewith, and (c) not in favor of any transaction constituting, or that would result in, a Change of Control (provided that, for purposes of this Section 3.2, the term "Business Combination" shall be deemed to be substituted for the term "Non-Qualified Business Combination" in clause (ii) of the definition of such term) that has not been approved by a majority of the Independent Non-CD&R Investor Directors, if the per-share consideration to be received by any CD&R Investor or Golden Gate Investor in connection with such transaction is not equal to, and in the same form as, the per-share consideration to be received by the Unaffiliated Shareholders.

Section 3.3 Standstill and Other Restrictions. (1) During the period from the Closing until a Standstill Termination Event, each Golden Gate Investor and each CD&R Investor, and each of their respective Parent Controlled Affiliates, shall not, directly or indirectly: (i) other than by a Permitted Increase, in any way acquire, offer or propose to acquire, or agree to acquire, in any manner (including by means of merger, consolidation, reorganization, recapitalization or otherwise), Beneficial Ownership of any securities of the Company or its Subsidiaries (including convertible securities) if immediately following such acquisition or agreement the CD&R Investor Group together with its Parent Controlled Affiliates, or the Golden Gate Investor Group together with its Parent Controlled Affiliates, as the case may be, would Beneficially Own in the aggregate more than the Voting Interest or economic interest of the Company that such CD&R Investor Group or the Golden Gate Investor Group, as the case may be, held at Closing, treating securities convertible into or exercisable for voting securities, economic interests or Common Stock that are Beneficially Owned by such CD&R Investor or Golden Gate Investor or their respective Parent Controlled Affiliates as fully converted into or exercised for the underlying voting securities, economic interests or Common Stock without regard to the exercisability, vesting or similar provisions and restrictions thereof), provided, however, that in the case of the CD&R Investor Group, if CD&R Investor Voting Interest or economic interest of the Company at any time falls below 45.0%, then for purposes of clause (i) of this Section 3.3(a), the aggregate cap applicable to the CD&R Investor Group and CD&R Parent Controlled Affiliate will be 45.0% in lieu of the CD&R Investor Voting Interest or economic interest as of the Closing, (ii) make any statement or proposal to the Board or any of the Company's representatives or stockholders regarding, or make any public announcement, proposal or offer with respect to, any Business Combination, merger, exchange or tender offer, recapitalization or similar transaction or recapitalization of debt, provided, however, that any CD&R Investor or Golden Gate Investor may privately communicate such proposal to the Board or the Chief Executive Officer of the Company as long as such communication would not, and would not reasonably be expected to, trigger public disclosure obligations for any Person, (iii) deposit any voting securities of the Company into a voting trust, enter into voting agreements, pooling arrangements or other similar arrangements or contracts, or grant any proxies with respect to any voting securities of the Company, except to such Investor's respective Affiliates, (iv) participate in any Group other than with respect to the its Affiliates, (v) enter into any transaction involving the Company not approved or recommended by the Board, (vi) act with another party to seek to control or influence the Company (it being understood that, subject to their fiduciary duties to the Company, no actions taken by the CD&R Directors in their respective roles as members of the Board shall be deemed to

TABLE OF CONTENTS

violate this clause (vi)) or (vii) publicly seek, or announce their support for another party to seek, any amendment, waiver or release of, or contest the validity of, any of the restrictions contained in this Section 3.3(a) (including this clause (vii)) by the Company. The restrictions of this Section 3.3(a) shall terminate upon the occurrence of a Change of Control Event. Notwithstanding the foregoing, if a majority of the Independent Non-CD&R Investor Directors consent in writing prior thereto, any Qualified Debt Holder may exchange Qualified Debt for equity securities of the Company on terms and conditions agreed to in writing by the Company (by approval of a majority of the Independent Non-CD&R Investor Directors) and such Qualified Debt Holder.

(b) During the Hedging Limitation Period, the CD&R Investors and their Parent Controlled Affiliates shall not, directly or indirectly, without the prior written consent of a majority of the Independent Non-CD&R Investor Directors: (i) in any way acquire, offer or propose to acquire or agree to acquire, directly or indirectly, in any manner, Beneficial Ownership of any indebtedness or debt securities of the Company other than Qualified Debt or (ii) seek, directly or indirectly, any amendment, waiver or release of, or to contest the validity of, any of the restrictions contained in this Section 3.3(b) (including this clause (ii)) by the Company.

(c) Notwithstanding anything to the contrary contained in this Agreement, the restrictions of this Section 3.3 shall not apply upon the occurrence of any Company Default Event; provided that the restrictions of this Section 3.3 shall apply from and after the date that such Company Default Event is cured or remedied until the date upon which such restriction terminates in accordance with this Section 3.3.

ARTICLE IV

TRANSFER AND HEDGING RESTRICTIONS

Section 4.1 Transfer Restrictions. (2) Prior to the expiration of its applicable Transfer Limitation Period, without the approval of a majority of the Independent Non-CD&R Investor Directors, any CD&R Investor or Golden Gate Investor shall not transfer, sell, pledge, assign or otherwise dispose of (including by merger or otherwise by operation of Law) ("Transfer") any Registrable Securities, other than, (i) to its Parent Controlled Affiliate, in each case, that agrees to be bound by the provisions of this Agreement as if it were such CD&R Investor or Golden Gate Investor (a "Transferee"), as applicable, hereunder (for the avoidance of doubt, any such Transferee shall be included in the term "CD&R Investor" or "Golden Gate Investor," as applicable), (ii) to the Company or (iii) in a Business Combination approved, or recommended to the stockholders of the Company, by the Board (so long as such approval and recommendation has not been revoked prior to the Transfer) in which the per-share consideration received by such CD&R Investor or Golden Gate Investor, divided by the number of shares of Common Stock Beneficially Owned by such CD&R Investor or Golden Gate Investor (treating any securities convertible into or exercisable for Common Stock (or securities convertible into or exercisable therefor) as fully converted into or exercised for the underlying Common Stock) is equal to, and in the same form as, the per-share consideration received by all holders of Common Stock (other than holders that are the counterparty to such transaction or an Affiliate of such counterparty); provided, in the event all holders of Common Stock have the opportunity to elect the form of consideration to be received in such Business Combination, such CD&R Investor or Golden Gate Investor shall have the opportunity to make such election with respect to the consideration described in this clause (iii) on the same basis as all holders of Common Stock (each of the exceptions described in clauses (i) through (iii), a "Transfer Exception"). In the event any Person who is a Transferee pursuant to clause (i) of the preceding sentence ceases to be a Parent Controlled Affiliate, then any prior Transfer to such Person pursuant to clause (i) shall become null and void and ownership and title to any such Registrable Securities so Transferred shall revert to the relevant CD&R Investor or Golden Gate Investor, as applicable. Each CD&R Investor or Golden Gate Investor shall immediately notify the Company if it engages in any of the transactions referred to in this Section 4.1. Each CD&R Investor or Golden Gate Investor shall give the Company notice of any proposed Transfer not less than five (5) Business Days prior to any Transfer (or the entering into of any agreement relating to a Transfer).

(b) Following its applicable Transfer Limitation Period, each CD&R Investor or Golden Gate Investor shall not Transfer any of the Registrable Securities, except as follows: (i) the Registrable Securities may be Transferred by each CD&R Investor or each Golden Gate Investor (A) in a privately

TABLE OF CONTENTS

negotiated transaction (including any Directed Offer if negotiated between such CD&R Investor or such Golden Gate Investor (or its agents or representatives) and any Transferee (or its agents or representatives)) to a Person or Group that represents that it, and that such Transferee reasonably believes, (1) is not a Competitor, (2) is not and will not be, after giving effect to the Transfer, a 10% Holder or an Affiliate of any 10% Holder and (3) is not proposing to effect a Change of Control of the Company without the prior written consent of a majority of the Independent Non-CD&R Investor Directors (such Person, a "Permitted Third Party Transferee"); provided that the Transferring Investor shall have provided the Company five (5) Business Days' notice in writing prior to any such Transfer, (B) in public market trades (which shall include any Directed Offer that is not of the type referred to in clause (A) above); provided that the Transferring Investor shall have no reason to believe that any Transferee is not a Permitted Third Party Transferee and the Transferring Investor shall have instructed the Transferring Investor's underwriters or brokers, if any, of the requirements of a Permitted Third Party Transferee, and (C) in a traditional underwritten public offering (excluding any Directed Offer) in accordance with the Registration Rights Agreement and (ii) the Registrable Securities may be Transferred pursuant to a Transfer Exception. The restrictions of this Section 4.1(b) shall terminate upon the occurrence of a Change of Control Event

(c) The Investors' rights under this Agreement will not be Transferable to any Transferee of any Registrable Securities, other than, in the case of a CD&R Investor, a Transferee that is a CD&R Parent Controlled Affiliate, and, in the case of each Golden Gate Investor, a Transferee that is an Affiliate of such Golden Gate Investor (and that, in each case, has entered into an agreement with the Company as set forth in Section 4.1(a)). In the event any Person who is a Transferee pursuant to the preceding sentence ceases to be a CD&R Parent Controlled Affiliate or an Affiliate of the relevant Golden Gate Investor, as applicable, then any prior Transfer to such Person shall become null and void and ownership and title to any such Registrable Securities, and the rights under this Agreement, so Transferred shall revert to the relevant CD&R Investor or Golden Gate Investor, as applicable.

(d) Any certificates for Registrable Securities shall bear a legend or legends (and appropriate comparable notations or other arrangements will be made with respect to any uncertificated shares) substantially to the following effect:

THIS INSTRUMENT WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE "SECURITIES ACT") AND THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION THEREFROM UNDER SUCH ACT OR SUCH LAWS.

In addition, for so long as the restrictions of this ARTICLE IV remain in effect, such legend or notations will include language substantially to the following effect:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER SET FORTH IN A STOCKHOLDERS AGREEMENT, DATED [•], 2018, AMONG THE ISSUER OF SUCH SECURITIES (THE "COMPANY") AND THE OTHER PARTY OR PARTIES THERETO. A COPY OF THE PROVISIONS OF SUCH AGREEMENT SETTING FORTH SUCH RESTRICTIONS ON TRANSFER IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The holder of any certificate(s) bearing any such legend (or any uncertificated shares subject to such notations or arrangements) shall be entitled to receive from the Company new certificates for a like number of Registrable Securities not bearing such legend (or the elimination or termination of such notations or arrangements) promptly upon the request of such holder at any time when (i) the restrictions on Transfer pursuant to this Agreement are no longer applicable, and (ii) an opinion of

TABLE OF CONTENTS

counsel to such holder has been delivered to the Company, which opinion is reasonably satisfactory to the Company, to the effect that the restriction referenced in such legend (or such notations or arrangements) is no longer required in order to ensure compliance with the Securities Act and applicable state Laws.

Section 4.2 Hedging Restrictions. Each CD&R Investor and each Golden Gate Investor agrees that, during the Hedging Limitation Period, it and its Parent Controlled Affiliate shall not Hedge their respective direct or indirect exposure to Common Stock or any other security, except in transactions involving an index-based portfolio of securities that includes Common Stock (provided that the value of such Common Stock in such portfolio is not more than 5.0% of the total value of the portfolio of securities). For the avoidance of doubt, following the Hedging Limitation Period, nothing in this Section 4.2 shall prohibit any CD&R Investor or Golden Gate Investor, or their respective Parent Controlled Affiliates from Hedging their respective direct or indirect exposure to Common Stock or any other security, including any transactions involving an index-based portfolio of securities that includes Common Stock (regardless of the value of such Common Stock in such portfolio relative to the total value of the portfolio of securities) or involving the purchase or sale of derivative securities or any short sale of Common Stock.

ARTICLE V

SUBSCRIPTION RIGHTS

Section 5.1 Subscription Rights. From and after the Closing, if the Company offers to sell Covered Securities in a Qualified Offering (which may only be effected in compliance with Section 6.1), each CD&R Investor and each Golden Gate Investor shall be afforded the opportunity to acquire from the Company, for the same price and on the same terms as such Covered Securities are offered to others, in the aggregate up to the amount of Covered Securities required to enable such CD&R Investor and Golden Gate Investor to maintain (a) with respect to offers to sell Covered Securities consisting of Common Stock or Equity Equivalents convertible or exchangeable for Common Stock (or convertible into or exercisable therefor), its then-current Voting Interest and (b) with respect to offers to sell Covered Securities consisting of non-voting equity of the Company or Equity Equivalents convertible or exchangeable for non-voting equity (or convertible into or exercisable therefor), its then-current percentage economic interest.

Section 5.2 Notice. (3) In the event the Company intends to make a Qualified Offering of Covered Securities that is an underwritten public offering or a private offering made to Qualified Institutional Buyers (as such term is defined in Rule 144A under the Securities Act) for resale pursuant to Rule 144A under the Securities Act, no later than five (5) Business Days after the initial filing of a registration statement with respect to such underwritten offering or the commencement of such Rule 144A offering, the Company shall give each CD&R Investor and each Golden Gate Investor written notice of its intention (including, in the case of a registered public offering and to the extent possible, a copy of the prospectus included in the registration statement filed in respect of such offering), describing, to the extent then known, the anticipated amount of securities, price (or range of prices), timing and other material terms upon which the Company proposes to offer the same. Each CD&R Investor and each Golden Gate Investor shall have five (5) Business Days from the date and time of receipt of any such notice to notify the Company in writing that it intends to exercise such subscription rights and as to the amount of Covered Securities such Investor desires to purchase, up to the maximum amount calculated pursuant to Section 5.1 (the “Designated Securities”); provided that, notwithstanding anything to the contrary in this ARTICLE V but subject to Section 3.3 and Section 4.1, to the extent a CD&R Investor elects not to exercise its subscription rights for the maximum amount calculated pursuant to Section 5.1, (i) any other CD&R Investor may elect to purchase all or a portion of the Covered Securities elected not to be purchased by the relevant CD&R Investor, and (ii) any CD&R Parent Controlled Affiliate may elect to purchase all or a portion of the Covered Securities elected not to be purchased by the relevant CD&R Investor, in the case of each such CD&R Parent Controlled Affiliate, that agrees to be bound by the provisions of this Agreement as if it were a CD&R Investor hereunder (for the avoidance of doubt, any such Person shall be included in the term “CD&R Investor”), in the case of each of the preceding clauses (i) and (ii), by giving the notice contemplated by this sentence with respect to such Covered Securities, and such Covered Securities shall be deemed to be “Designated Securities” with respect to the CD&R Investor giving such notice. Such notice shall constitute a non-binding indication of interest of such CD&R Investor to purchase the Designated Securities so specified at the price and other terms set forth in the Company’s notice to it. The failure of any

TABLE OF CONTENTS

CD&R Investor or Golden Gate Investor to respond during such five-Business Day period shall constitute a waiver of subscription rights under this ARTICLE V only with respect to the offering described in the applicable notice and a notice purporting to exercise subscription rights for more than the maximum amount contemplated by Section 5.1 shall be deemed to be an election to acquire the maximum amount. To the extent the Company shall give any CD&R Investor and Golden Gate Investor notice of any such offer prior to the public announcement thereof, each CD&R Investor and each Golden Gate Investor shall agree to confidentiality and restriction on trading terms reasonably acceptable to the Company.

(b) If the Company proposes to make a Qualified Offering of Covered Securities that is not an underwritten public offering or Rule 144A offering (a "Private Placement"), the Company shall (i) give each CD&R Investor and each Golden Gate Investor written notice of its intention, describing, to the extent then known, the anticipated amount of securities, price and other material terms upon which the Company proposes to offer the same and (ii) promptly provide each CD&R Investor and each Golden Gate Investor with an updated notice reflecting any changes to such anticipated amount of securities, price or other material terms. Each CD&R Investor and each Golden Gate Investor shall have ten (10) Business Days from the date of receipt of the last notice required by the immediately preceding sentence to notify the Company in writing that it intends to exercise such subscription rights and as to the amount of Designated Securities such CD&R Investor or Golden Gate Investor desires to purchase, up to the maximum amount calculated pursuant to Section 5.1; provided that, notwithstanding anything to the contrary in this ARTICLE V but subject to Section 3.3, to the extent a CD&R Investor elects not to exercise its subscription rights for the maximum amount calculated pursuant to Section 5.1, (i) any other CD&R Investor may elect to purchase all or a portion of the Covered Securities elected not to be purchased by the relevant CD&R Investor, and (ii) any CD&R Parent Controlled Affiliate may elect to purchase all or a portion of the Covered Securities elected not to be purchased by the relevant CD&R Investor, in the case of each such CD&R Parent Controlled Affiliate, that agrees to be bound by the provisions of this Agreement as if it were a CD&R Investor hereunder (for the avoidance of doubt, any such Person shall be included in the term "CD&R Investor"), in the case of each of the preceding clauses (i) and (ii), by giving the notice contemplated by this sentence with respect to such Covered Securities, and such Covered Securities shall be deemed to be "Designated Securities" with respect to the CD&R Investor giving such notice. Such notice shall constitute a non-binding indication of interest of such CD&R Investor or Golden Gate Investor to purchase the amount of Designated Securities so specified at the price and upon other terms set forth in the Company's notice to it; provided that the closing of the Private Placement with respect to which such rights has been exercised takes place within fifteen (15) calendar days after giving notice of such exercise by such CD&R Investor or Golden Gate Investor. The failure of any CD&R Investor or the Golden Gate Investor to respond during the ten-Business Day period referred to in the second preceding sentence shall constitute a waiver of the subscription rights under this ARTICLE V only with respect to the offering described in the applicable notice and a notice purporting to exercise subscription rights for more than the maximum amount contemplated by Section 5.1 shall be deemed to be an election to acquire the maximum amount. To the extent the Company shall give any CD&R Investor and Golden Gate Investor notice of any such offer prior to the public announcement thereof, each CD&R Investor and each Golden Gate Investor shall agree to confidentiality and restriction on trading terms reasonably acceptable to the Company.

Section 5.3 Purchase Mechanism. (4) If a CD&R Investor or Golden Gate Investor exercises its subscription rights as provided in Section 5.2(a), the Company shall offer such CD&R Investor or Golden Gate Investor, if such underwritten public offering or Rule 144A offering is consummated, the Designated Securities (as adjusted to reflect the actual size of such offering when priced) on the same material terms as the Covered Securities are offered to the underwriters or initial purchasers and shall provide written notice of such price to such CD&R Investor or Golden Gate Investor as soon as practicable prior to such consummation. Contemporaneously with the execution of any underwriting agreement or purchase agreement entered into between the Company and the underwriters or initial purchasers of such underwritten public offering or Rule 144A offering, such CD&R Investor or Golden Gate Investor shall, if it continues to wish to exercise its subscription rights with respect to such offering, enter into an instrument in form and substance reasonably satisfactory to the Company acknowledging its binding obligation to purchase the Designated Securities to be acquired by it and containing representations, warranties and

TABLE OF CONTENTS

agreements of such CD&R Investor or Golden Gate Investor that are customary in private placement transactions and, in any event, no less favorable to such CD&R Investor or Golden Gate Investor than any underwriting or purchase agreement entered into by the Company in connection with such offering, and the failure to enter into such an instrument at or prior to such time shall constitute a waiver of the subscription rights in respect of such offering. Any offers and sales pursuant to this ARTICLE V in the context of a registered public offering shall be also conditioned on reasonably acceptable representations and warranties of such relevant CD&R Investor or Golden Gate Investor regarding its status as the type of offeree to whom a private sale can be made concurrently with a registered offering in compliance with applicable securities Laws.

(b) If any CD&R Investor or any Golden Gate Investor exercises its subscription rights as provided in Section 5.2(b), the closing of the purchase of the Covered Securities with respect to which such right has been exercised shall be conditioned on the consummation of the sale of securities pursuant to the Private Placement with respect to which such subscription right has been exercised and shall take place as soon as practicable after the closing of the Private Placement; provided that such time period shall be extended for a maximum of 95 days in order to comply with applicable Laws and regulations; provided, further, that the actual amount of Covered Securities to be sold to such CD&R Investor or Golden Gate Investor pursuant to its exercise of subscription rights hereunder shall be proportionally reduced if the aggregate amount of Covered Securities sold in the Private Placement is reduced and, at the option of such CD&R Investor or Golden Gate Investor (to be exercised by delivery of written notice to the Company within five (5) Business Days of receipt of notice of such increase), shall be increased if such aggregate amount of Covered Securities sold in the Private Placement is increased. In connection with its purchase of Designated Securities, such CD&R Investor or Golden Gate Investor shall, if it continues to wish to exercise its subscription rights with respect to such offering, execute an agreement containing representations and warranties and, if at such time the CD&R Investor Voting Interest, in the case of any CD&R Investor, or the Golden Gate Investor Group Voting Interest, in the case of any Golden Gate Investor, is greater than 20%, agreements of such CD&R Investor or Golden Gate Investor that are substantially similar in all material respects to the agreements executed by other purchasers in such Private Placement. Each of the Company and the CD&R Investor and each Golden Gate Investor agrees to use its reasonable best efforts to secure any regulatory or stockholder approvals or other consents, and to comply with any Law or regulation necessary in connection with the offer, sale and purchase of, such Covered Securities.

Section 5.4 Failure to Purchase. In the event that any CD&R Investor or any Golden Gate Investor fails to exercise its subscription rights provided in this ARTICLE V within the applicable period or, if so exercised, such CD&R Investor or Golden Gate Investor is unable to consummate such purchase within the time period specified in Section 5.3 above because of its failure to obtain any required regulatory or stockholder consent or approval or because of the failure to purchase any or all of the Covered Securities contemplated to be purchased by the election notice, the Company shall thereafter be entitled during the period of sixty (60) days following the conclusion of the applicable period to sell or enter into an agreement (pursuant to which the sale of the Covered Securities covered thereby shall be consummated, if at all, within thirty (30) days from the date of said agreement) to sell the Covered Securities not elected to be purchased pursuant to this ARTICLE V or which such CD&R Investor or Golden Gate Investor is unable to purchase because of such failure to obtain any such consent or approval or otherwise fails to purchase, at a price and upon terms no more favorable to the purchasers of such securities in the Private Placement, the underwritten public offering or Rule 144A offering, as the case may be, than were specified in the Company's notice to such CD&R Investor or Golden Gate Investor. Notwithstanding the foregoing, if such sale is subject to the receipt of any regulatory or stockholder approval or consent or the expiration of any waiting period, the time period during which such sale may be consummated shall be extended until the expiration of five (5) Business Days after all such approvals or consents have been obtained or waiting periods expired, but in no event shall such time period exceed ninety (90) days from the date of the applicable agreement with respect to such sale. In the event the Company has not sold the Covered Securities or entered into an agreement to sell the Covered Securities within said 60-day period (or sold and issued Covered Securities in accordance with the foregoing within thirty (30) days from the date of said

TABLE OF CONTENTS

agreement (as such period may be extended in the manner described above for a period not to exceed ninety (90) days from the date of said agreement), the Company shall not thereafter offer, issue or sell such Covered Securities without first offering such securities to each CD&R Investor or Golden Gate Investor in the manner provided above.

Section 5.5 Certain Qualified Offerings. In the case of a Qualified Offering of Covered Securities for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities by their terms so exchangeable), the consideration other than cash shall be deemed to be the fair value thereof as determined by a firm of independent public accountants or an independent appraiser, in each case, of recognized national standing selected by the Board and approved by the Investors; provided, however, that such fair value as determined in accordance with this Section 5.5 shall not exceed the aggregate market price of the securities being offered as of the date the Board authorizes the offering of such securities. In the event that the sale of Designated Securities to any CD&R Investor or any Golden Gate Investor cannot be consummated substantially concurrently with the sale giving rise to the applicable exercise of subscription rights by such CD&R Investor or Golden Gate Investor under Section 5.1 (the "Underlying Sale"), consummation of the Underlying Sale shall not be delayed or conditioned upon such sale of Designated Securities to such CD&R Investor or Golden Gate Investor; provided, in such event, that the Company shall use its best efforts to consummate the sale of such Designated Securities to such CD&R Investor or Golden Gate Investor as promptly as practicable following the consummation of the Underlying Sale.

Section 5.6 Cooperation. The Company and each CD&R Investor and each Golden Gate Investor shall cooperate in good faith to facilitate the exercise of the CD&R Investor and Golden Gate Investor subscription rights hereunder, including, without limitation, securing any required approvals or consents, in a manner that does not jeopardize the timing, marketing, pricing or execution of any offering of the Company's securities.

Section 5.7 Limitation of Rights. Notwithstanding the above, nothing set forth in this ARTICLE V shall confer upon any CD&R Investor or any Golden Gate Investor the right to purchase any securities of the Company other than Designated Securities. For the avoidance of doubt, notwithstanding the above, nothing set forth in this ARTICLE V shall limit any CD&R Investor's or any Golden Gate Investor's rights pursuant to and in accordance with the Registration Rights Agreement, including, without limitation, with respect to notice of or registration of Registrable Securities in Piggyback Registrations (each as defined in the Registration Rights Agreement).

Section 5.8 Termination of Subscription Rights. Anything to the contrary in this ARTICLE V notwithstanding, the CD&R Investors' and each Golden Gate Investor's subscription right to purchase Covered Securities granted by this ARTICLE V shall not be available for any offering that commences at any time after the occurrence of the CD&R Investor Rights Termination Event or the Golden Gate Investor Rights Termination Event, respectively.

ARTICLE VI

CONSENT RIGHTS

Section 6.1 CD&R Investor Consent Rights.

(a) Until such time as the CD&R Investor Voting Interest is less than 25%, without the prior consent of the CD&R Investor Group, the Company shall not, and shall cause each of its Subsidiaries not to, take any of the following actions, commit, resolve or agree to take any of the following actions or authorize or otherwise facilitate any of the following actions:

(i) in any fiscal year, acquire, in a single transaction or a series of related transactions, any business organization or division thereof or assets if in such fiscal year (A) the aggregate consideration paid by the Company for all such acquisitions completed in such fiscal year would exceed 10% of the Company's consolidated assets as of the end of the most recently completed fiscal year or (B) the aggregate contribution to revenue of the businesses, divisions and assets acquired on a pro forma basis for the most recently completed fiscal year would exceed 10% of the Company's revenues for the most recently completed fiscal year, excluding, in all cases,

B-21

TABLE OF CONTENTS

(1) transactions consented to by the CD&R Investor Group, (2) transactions between and among any of the Company and its direct or indirect wholly owned Subsidiaries and (3) acquisitions of inventory, equipment and real property in the ordinary course of business;

(ii) in any fiscal year, sell, transfer or dispose of, in a single transaction or a series of related transactions, any business organization or division of the Company or any of its assets if in such fiscal year (A) the aggregate consideration received by the Company for all such sales, transfers or dispositions completed in such fiscal year would exceed 10% of the Company's consolidated assets as of the end of the most recently completed fiscal year or (B) the aggregate contribution to revenue of the sold, transferred or disposed businesses, divisions and assets for the most recently completed fiscal year would exceed 10% of the Company's revenues for the most recently completed fiscal year, excluding, in all cases, (1) transactions consented to by the CD&R Investor Group, (2) transactions between and among any of the Company and its direct or indirect wholly owned Subsidiaries, (3) disposition of any aircraft owned by the Company and (4) dispositions of inventory, equipment and real property in the ordinary course of business;

(iii) other than grants in the ordinary course of business consistent with past practice to employees or directors of the Company pursuant to an existing stock option plan or restricted stock plan, pursuant to another plan or agreement adopted or approved by the Board in the ordinary course with terms that are consistent with past practice or pursuant to the issuance of shares in respect of any exercise of options or settlement of any other share-based awards outstanding on the date of this Agreement, or as may be granted after the date of this Agreement, as permitted by this Agreement, authorize, issue, deliver, sell, pledge, dispose of, grant, award or encumber any shares (or options, warrants, convertible securities or rights of any kind to acquire or receive any shares) of capital stock, ownership interests or voting securities if the Proceeds to the Company for all such issuances in the aggregate exceed $20 million in any given fiscal year;

(iv) redeem, repurchase or acquire any shares of capital stock or securities convertible into or exercisable for shares of the capital stock, other than any Registrable Securities or pursuant to the acquisition of shares from a holder of an option, restricted share or any other share-based award in satisfaction of Tax withholding obligations or in payment of the exercise price, if as a result of such action the aggregate consideration paid by the Company in respect of all such redemptions, repurchases or acquisitions since the date of this Agreement would exceed $20 million annually and other than transactions between and among any of the Company and its direct or indirect wholly owned Subsidiaries;

(v) declare or pay any extraordinary dividend or distribution (other than dividends or distributions by a direct or indirect wholly owned Subsidiary of the Company to the Company or a direct or indirect wholly owned Subsidiary of the Company);

(vi) newly incur or guarantee any indebtedness for borrowed money except for (A) any indebtedness among the Company and its wholly owned Subsidiaries or among the Company's wholly owned Subsidiaries, (B) guarantees by the Company and/or any Subsidiary of indebtedness of the Company or Subsidiaries of the Company, which indebtedness is outstanding as of the date hereof or incurred in compliance with this Section 6.1(a)(vi), (C) borrowings under the ABL Credit Agreement or the Cash Flow Credit Agreement, in each case without giving effect to any increase in the commitments thereunder after the date hereof, and (D) additional indebtedness for borrowed money not to exceed $125 million in aggregate principal amount outstanding at any time;

(vii) engage to a material extent in any business in which the Company is not engaged on the Closing Date or any business related, ancillary or complementary to such business;

(viii) adopt a plan or agreement of complete or partial liquidation or dissolution (except a liquidation or dissolution of a direct or indirect wholly owned Subsidiary into the Company or another wholly owned Subsidiary) or commence a proceeding;

(ix) increase or decrease the number of directors that would constitute the entire Board at such time assuming all vacancies were filled; or

(x) amend, alter or repeal any provisions of its Certificate of Incorporation or Bylaws.
(b) Consent of the CD&R Investor Group to any of the actions specified above may be made in a writing addressed to the Board from any CD&R Investor, and in addition shall be deemed to have been given if a CD&R Director shall affirm at a meeting of the Board that, in such individual’s capacity as a representative of the CD&R Investor Group, he or she consents to any such action on behalf of the CD&R Investor Group.

ARTICLE VII

EFFECTIVENESS AND TERMINATION

Section 7.1 Termination. This Agreement will be effective as of the date hereof and will continue in effect thereafter until the earliest of (a) its termination by the mutual written agreement of the Company (subject to Section 9.3(b)) each CD&R Investor and each Golden Gate Investor, (b) except as otherwise specifically provided herein with respect to particular Sections of this Agreement, at such time as neither Investor Beneficially Owns any Registrable Securities and (c) the dissolution, liquidation and winding up of the Company.

ARTICLE VIII

ACCESS, INFORMATION AND CONFIDENTIALITY

Section 8.1 Confidentiality.

(a) Subject to Section 8.1(b), each party to this Agreement will hold, will cause its respective directors, officers, partners, employees, agents, consultants and advisors to hold, and will cause its respective Controlled Affiliates and any other Affiliate to whom it releases or discloses Proprietary Information and their respective directors, officers, partners employees, agents, consultants and advisors to hold in strict confidence, all nonpublic records, books, contracts, instruments, computer data and other data and information, including without limitation, information regarding finances and results, technology, trade secrets, know-how, customers, vendors, business and/or strategic plans, marketing activities, financial data and other business affairs and any IRS Form and any documents, supplements or schedules attached thereto or included therein (collectively, “Proprietary Information”) concerning the other party hereto, its former, current or future representatives or any former, current or future representatives of such representatives furnished to it by, or on behalf of, such other party pursuant to this Agreement ((x) except to the extent that such information can be shown to have been (i) previously known by such party on a nonconfidential basis, (ii) in the public domain through no fault of such party or (iii) later lawfully acquired from other sources not known to or suspected by such party to be prohibited from disclosing such Proprietary Information by a contractual, legal or fiduciary obligation and (y) solely with respect to an IRS Form or any document, supplement or schedule attached thereto or included therein, except to the extent such information is requested or required by the IRS or any other Tax Authority) and neither party hereto shall release or disclose such Proprietary Information to any other Person, except its auditors, attorneys, financial advisors, other consultants and advisors.

(b) In the event that any party, any Controlled Affiliates of any party or any of its or their representatives (a “Disclosing Party”) is requested pursuant to, or required by, applicable Law, regulation or legal process to disclose any Proprietary Information of the other party (a “Disclosed Party”), then before substantively responding to any such request or requirement, to the extent permitted by Law, such Disclosing Party will provide, or cause its Controlled Affiliate or its or their representative to provide, the Disclosed Party with prompt written notice of any such request or requirement so that it may, at its sole expense, seek a protective order or other appropriate remedy, or both, or waive compliance with the provisions of this Section 8.1(b) or other appropriate remedy, or if it so directs, the Disclosing Party, will exercise its own reasonable best efforts, at the Disclosed Party’s expense, to assist it in obtaining a protective order or other appropriate remedy. If, failing the entry of a protective order or other appropriate remedy or the receipt of a waiver hereunder, disclosure of any Proprietary Information is, in the opinion of the Disclosing Party’s counsel, required, the Disclosing Party may, without liability hereunder, furnish only that portion of the Proprietary Information which in the opinion of the Disclosing Party’s counsel is required to be so furnished pursuant to Law, regulation or legal process.

TABLE OF CONTENTS
Section 8.2 Access and Information. The Company hereby agrees that it shall ensure that upon reasonable notice, the Company and its Subsidiaries (a) will afford to each Investor and their respective representatives (including, without limitation, the respective officers and employees of the Investors, and the respective counsel, accountants and other professionals retained by the Investors) such access during normal business hours to its books, records (including, without limitation, Tax Returns and appropriate work papers of independent auditors under normal professional courtesy), properties, personnel, accountants and other professional retained by the Company and to such other information as such Investor may reasonably request; (b) will furnish the Investors such financial and operating data and other information with respect to the business and properties of the Company as the Company prepares and compiles for members of its Board in the ordinary course and as such Investor may from time to time reasonably request; and (c) permit the Investors to discuss the affairs, finances and accounts of the Company, and to furnish advice with respect thereto, with the principal officers of the Company within thirty (30) days after the end of each fiscal quarter of the Company. All requests for access and information shall be coordinated in writing through senior corporate officers of the Company.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Tax Matters.

(a) To the extent permitted by Law, the Company shall treat each CD&R Investor or each Golden Gate Investor that is not a U.S. person for U.S. federal income tax purposes and any of its non-U.S. Affiliates as a withholding foreign partnership and shall not withhold on any cash (or other) distributions made or deemed to be made to such CD&R Investor or Golden Gate Investor or to any such Affiliate so long as such CD&R Investor or Golden Gate Investor or such Affiliate, as the case may be, has provided the Company with the required documentation.

(b) On the Closing Date, and from time to time thereafter as any previously delivered form or other document expires or becomes inaccurate or at any other time as the Company may reasonably request, each CD&R Investor and each Golden Gate Investor shall deliver, or cause to be delivered, to the Company one or more duly completed Internal Revenue Service (“IRS”) Forms W-8IMY or other W-8, as applicable (or any subsequent versions thereof or successors thereto), in the case of any CD&R Investor or any Golden Gate Investor or any of their respective Affiliates that is not a U.S. Person for U.S. federal income tax purposes, together with any applicable related withholding or other statement or form, and W-9 (or any subsequent versions thereof or successors thereto), in the case of any Affiliate that is a U.S. person for U.S. federal income tax purposes (each, an “IRS Form”), in each case confirming, to the extent permitted by law, that the Company is not required to deduct or withhold any amount of U.S. federal income tax in respect of distributions or deemed distributions by the Company to such CD&R Investor or Golden Gate Investor (or any Affiliate). Each of the CD&R Investors confirms that it is a withholding foreign partnership (and has entered into a withholding foreign partnership agreement with the IRS), and each of the CD&R Investors and each Golden Gate Investor respectively intend for any potential CD&R Investor or Golden Gate Investor, as the case may be, that is not a U.S. Person for U.S. federal income tax purposes to enter into a withholding foreign partnership agreement with the IRS.

Section 9.2 Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto, in whole or in part (whether by operation of Law or otherwise), without the prior written consent of each of the other parties (subject to Section 9.3(b)); provided that the Company may assign the rights and obligations under this Agreement to a successor and the Investors may, pursuant and subject to Section 4.1(a)(i), assign all or a portion of their rights, interests and obligations under this Agreement, including, without limitation, their rights, interests and obligations under ARTICLE V, without the prior written consent of the Company, in the case of the CD&R Investors, to any CD&R Parent Controlled Affiliate, and in the case of any Golden Gate Investor, to any Affiliate of such Golden Gate Investor, but only if the assignee agrees in writing for the benefit of the Company (with a copy thereof to be furnished to the Company) to be bound by the terms of this Agreement (for the avoidance of doubt, any such assignee shall be included in the term “CD&R Investor” or “Golden Gate Investor,” as applicable); provided, further, that no such assignment shall relieve any

TABLE OF CONTENTS

CD&R Investor or Golden Gate Investor of its obligations hereunder. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. For purposes of this Agreement, “successor” for any entity other than a natural person shall mean a successor to such entity as a result of such entity’s merger, consolidation, sale of substantially all of its assets, or similar transaction. Any attempted assignment in violation of this Section 9.2 shall be void.

Section 9.3 Amendments; Waiver; Company Action; CD&R Investor Obligations. (5) Subject to Section 9.3(b): (i) this Agreement may not be modified or amended except pursuant to an instrument in writing signed by an authorized officer of the Company and each CD&R Investor and Golden Gate Investor; and (ii) any party may waive in whole or in part any benefit or right provided to it under this Agreement, such waiver being effective only if contained in a writing executed by the waiving party. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon breach thereof shall constitute a waiver of any such breach or of any other covenant, duty, agreement or condition, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

(b) Solely with respect to any action by the Company (x) to amend, waive, or enforce or comply with any provision of this Agreement or (y) to make any determination pursuant to this Agreement in which any CD&R Investor have or may have interests different from the Company or its stockholders other than the CD&R Investor Group, such action, unless otherwise expressly contemplated by this Agreement, shall be taken or determination shall be made on behalf of the Company solely by a majority of the Independent Non-CD&R Investor Directors and the Chief Executive Officer of the Company (though less than a quorum), or, if no Independent Non-CD&R Investor Directors exist, the Independent Directors and the Chief Executive Officer of the Company (though less than a quorum); provided, notwithstanding anything to contrary herein, that any action to amend, waive, or enforce or comply with any provision of this Agreement, or to make any determination pursuant to this Agreement, which provision either (i) relates to the qualifications for, selection, nomination or election of, or to the powers, rights or privileges of the Unaffiliated Shareholder Directors or (ii) requires the consent or approval of the Unaffiliated Shareholder Directors, such action shall be taken or determination shall be made on behalf of the Company solely by the Unaffiliated Shareholder Directors or, if no such directors exist, the Independent Non-CD&R Investor Directors and the Chief Executive Officer or, if no Independent Non-CD&R Investor Directors exist, the Independent Directors and the Chief Executive Officer of the Company. No CD&R Investor Director shall have any right to vote upon, and by a decision of the remaining directors may be excluded from participating in any discussion of, any such action or determination referenced in the preceding sentence. Each CD&R Investor Director shall, if requested by the remaining directors, appear at any properly called meeting if their presence is required to establish a quorum.

(c) Any obligation of the CD&R Investor Group hereunder to take or cause, or to refrain from or prevent, any action shall be joint and several among the CD&R Investors.

Section 9.4 Notices. Except as otherwise provided in this Agreement, all notices, requests, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier service, or when received by facsimile transmission if promptly confirmed, as follows:

If to the Company, to it at:

NCI Building Systems, Inc.
10943 North Sam Houston Parkway West
Houston, Texas 77064
Attention: Todd Moore, General Counsel
Email: TrMoore@ncigroup.com

TABLE OF CONTENTS

with a copy to (which shall not constitute notice):
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Mark Gordon
Email: MGordon@wlrk.com

If to any CD&R Investor, to them at:
Clayton, Dubilier & Rice Fund VIII, L.P.
CD&R Friends & Family Fund VIII, L.P.
CD&R Pisces Holdings, L.P.
c/o Clayton, Dubilier & Rice, Inc.
375 Park Avenue, 18th Floor
New York, New York 10152
Attention: Theresa Gore
Email: tgore@cdr-inc.com

with a copy to (which shall not constitute notice):
Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attention: Paul S. Bird
Christopher Anthony
Email: psbird@debevoise.com
canthony@debevoise.com

If to the Golden Gate Investor Group, to it at:
c/o Golden Gate Private Equity, Inc.
One Embarcadero Center, Suite 3900
San Francisco, CA 94111
Attention: Rajeev Amara
Stephen Oetgen
Email: ramara@goldengatecap.com
soetgen@goldengatecap.com

with a copy to (which shall not constitute notice):
Kirkland & Ellis LLP
555 California Street
San Francisco, California 94104
Attention: Jeremy M. Veit, P.C.
Email: jeremy.veit@kirkland.com

or to such other address, facsimile number or telephone as either party may, from time to time, designate in a written notice given in a like manner.

Section 9.5 Governing Law. This Agreement will be governed by and construed in accordance with the Laws of the State of Delaware applicable to contracts made and to be performed within the State of Delaware, without giving effect to conflicts of law rules that would require or permit the application of the Laws of another jurisdiction.

Section 9.6 Specific Performance; Jurisdiction.

(a) The parties agree that irreparable damage would occur for which money damages would not suffice in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and that the parties would not have any adequate remedy at Law. It is accordingly agreed that the non-breaching party or parties shall be entitled to an

TABLE OF CONTENTS

injunction, temporary restraining order or other equitable relief exclusively in the Delaware Court of Chancery enjoining any such breach and enforcing specifically the terms and provisions hereof, or in the event (but only in the event) that such court does not have subject matter jurisdiction over such action or proceeding, in the United States District Court for the District of Delaware or another court sitting in the state of Delaware. The foregoing is in addition to any other remedy to which any party is entitled at Law, in equity or otherwise.

(b) Each of the parties hereto irrevocably agrees that any legal action or proceeding in connection with or with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by another party hereto or its successors or assigns shall be brought and determined exclusively in the Delaware Court of Chancery, or in the event (but only in the event) that such court does not have subject matter jurisdiction over such action or proceeding, in the United States District Court for the District of Delaware or another court sitting in the state of Delaware. Each of the parties hereto hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action in connection with or relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts. Each of the parties hereto hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding in connection with or with respect to this Agreement, (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to serve in accordance with this Section 9.6, (ii) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (iii) to the fullest extent permitted by applicable Law, any claim that (A) the suit, action or proceeding in such court is brought in an inconvenient forum, (B) the venue of such suit, action or proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

(c) Each of the parties hereto irrevocably consents to the service of any summons and complaint and any other process in any other action in connection with or relating to this Agreement, on behalf of itself or its property, by the personal delivery of copies of such process to such party or by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 9.4. Nothing in this Section 9.6 shall affect the right of any party hereto to serve legal process in any other manner permitted by Law.

Section 9.7 Waiver of Jury Trial. Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each party (i) certifies and acknowledges that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, and (ii) acknowledges that it understands and has considered the implications of this waiver and makes this waiver voluntarily, and that it and the other parties have been induced to enter into the Agreement by, among other things, the mutual waivers and certifications in this Section 9.7.

Section 9.8 Headings. The descriptive headings of the several sections in this Agreement are for convenience only and do not constitute a part of this Agreement and shall not be deemed to limit or affect in any way the meaning or interpretation of this Agreement.

Section 9.9 Entire Agreement. This Agreement, the other Transaction Documents and the schedules and exhibits attached to any such documents constitute the entire agreement and understanding among the Company and each of the CD&R Investors and Golden Gate Investor with respect to the matters referred to herein and supersede all prior agreements, understandings or representations, in each case among the parties, with respect to such matters.

Section 9.10 Severability. If any term or provision of this Agreement or any application thereof shall be declared or held invalid, illegal or unenforceable, in whole or in part, whether generally or in any particular jurisdiction, such provision shall be deemed amended to the extent, but only to the extent,

TABLE OF CONTENTS

necessary to cure such invalidity, illegality or unenforceability, and the validity, legality and enforceability of the remaining provisions, both generally and in every other jurisdiction, shall not in any way be affected or impaired thereby.

Section 9.11 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

Section 9.12 Interpretation. When a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" and "including" are used in this Agreement, they are deemed to be followed by the words "without limitation." For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined include the plural as well as the singular, and (b) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

Section 9.13 No Third Party Beneficiaries. Nothing in this Agreement, expressed or implied, is intended to confer upon any Person, other than the parties hereto or permitted assignees of any of the CD&R Investors or any Golden Gate Investor pursuant to Section 4.1(a)(i) and Section 9.2, or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 9.14 Investor Portfolio Companies.

(a) Notwithstanding anything to the contrary in this Agreement, the parties hereby agree that nothing in Section 3.2, Section 3.3 or in Section 4.2 shall apply to any portfolio company of CD&R Parent or any CD&R Investor with respect to which neither CD&R Parent, such CD&R Investor nor any of their respective Affiliates (excluding such portfolio company and its Controlled Affiliates) exercises control over the decision of such portfolio company to take any such action that would otherwise be prohibited or required by Section 3.2, Section 3.3 or Section 4.2, nor assisted, encouraged, influenced or facilitated any such decision or action; provided, (a) that neither CD&R Parent, any CD&R Investor nor any of their respective Affiliates (excluding such portfolio company and its Controlled Affiliates) shall provide or have provided to such portfolio company or any of its Controlled Affiliates any non-public information concerning the Company or any Subsidiary of the Company and (b) such portfolio company is not acting at the request or direction of or in coordination with any of CD&R Parent, any CD&R Investor or any of their respective Controlled Affiliates (excluding such portfolio company and its Controlled Affiliates).

(b) Notwithstanding anything to the contrary in this Agreement, the parties hereby agree that nothing in Section 3.2, Section 3.3 or in Section 4.2 shall apply to any portfolio company of Golden Gate Parent or any Golden Gate Investor with respect to which neither Golden Gate Parent, such Golden Gate Investor nor any of their respective Affiliates (excluding such portfolio company and its Controlled Affiliates) exercises control over the decision of such portfolio company to take any such action that would otherwise be prohibited or required by Section 3.2, Section 3.3 or Section 4.2, nor assisted, encouraged, influenced or facilitated any such decision or action; provided, (a) that neither Golden Gate Parent, any Golden Gate Investor nor any of their respective Affiliates (excluding such portfolio company and its Controlled Affiliates) shall provide or have provided to such portfolio company or any of its Controlled Affiliates any non-public information concerning the Company or any Subsidiary of the Company and (b) such portfolio company is not acting at the request or direction of or in coordination with any of Golden Gate Parent, a Golden Gate Investor or any of their respective Controlled Affiliates (excluding such portfolio company and its Controlled Affiliates).

Section 9.15 Conflicting Agreements. The Company has not entered into, and, from and after the date hereof, shall not enter into, any agreement, arrangement or understanding which (i) violates or conflicts with any provision of this Agreement or (ii) impedes or prevents the Company's ability to fulfill and comply with its obligations, or any CD&R Investor's or Golden Gate Investor's ability to utilize their rights, set forth herein.

TABLE OF CONTENTS

Section 9.16 Termination of 2009 Stockholders Agreement. CD&R Fund VIII, CD&R FF Fund VIII and the Company agree that the 2009 Stockholders Agreement is hereby terminated and of no further force and effect.

[remainder of page intentionally left blank]

TABLE OF CONTENTS

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized officers as of the date set forth at the head of this Agreement.

NCI Building Systems, Inc.

By:

Name:

Title:

[Signature Page to Stockholders Agreement]

B-30

TABLE OF CONTENTS

CLAYTON, DUBILIER & RICE FUND VIII, L.P.
By:
CD&R ASSOCIATES VIII, LTD.,
its General Partner

By:

Name: Theresa A. Gore
Title: Vice President, Treasurer &
Assistant Secretary

CD&R FRIENDS & FAMILY FUND VIII, L.P
By:
CD&R ASSOCIATES VIII, LTD.,
its General Partner

By:

Name: Theresa A. Gore
Title: Vice President, Treasurer &
Assistant Secretary

CD&R PISCES HOLDINGS, L.P.
By:
CD&R Investment Associates X, Ltd.,
its general partner

By:

Name: Theresa A. Gore
Title: Vice President, Treasurer &
Assistant Secretary

[Signature Page to Stockholders Agreement]

TABLE OF CONTENTS

ATRIUM INTERMEDIATE HOLDINGS, LLC

By:

Name:

Title:

GGC BP HOLDINGS, LLC

By:

Name:

Title:

AIC FINANCE PARTNERSHIP, L.P.

By:

Name:

Title:

[Signature Page to Stockholders Agreement]

TABLE OF CONTENTS

Schedule 3.1(a)[2]

Initial Board

Name	Class	Director Designation

[2] Note to draft: To complete.

TABLE OF CONTENTS
Annex C
FORM OF REGISTRATION RIGHTS AGREEMENT
REGISTRATION RIGHTS AGREEMENT
This REGISTRATION RIGHTS AGREEMENT, dated as of [•], 2018 (as it may be amended from time to time, this "Agreement"), is made among NCI Building Systems, Inc., a Delaware Corporation (the "Company"), Clayton, Dubilier & Rice Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R Fund VIII"), CD&R Friends & Family Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R FF Fund VIII" and, together with CD&R Fund VIII, the "Fund VIII CD&R Investors"), CD&R Pisces Holdings, L.P., a Cayman Islands exempted limited partnership (the "Fund X CD&R Investor," together with the Fund VIII CD&R Investors, the "CD&R Investors" and each of CD&R Fund VIII, CD&R FF Fund VIII and Fund X CD&R Investor, a "CD&R Investor"), Atrium Intermediate Holdings, LLC ("Atrium"), a Delaware limited liability company, GGC BP Holdings, LLC, a Delaware limited liability company ("GGC"), AIC Finance Partnership, L.P., a Cayman Islands exempted limited partnership ("AIC Finance" and, together with Atrium and GGC, the "Golden Gate Investors" and each of Atrium, GGC, and AIC Finance, a "Golden Gate Investor"; and the Golden Gate Investors together with the CD&R Investors, the "Investors") and any other stockholder of the Company that may become a party to this Agreement pursuant to the terms hereof.
WHEREAS, the Company and CD&R Fund VIII entered into the Investment Agreement, dated as of August 14, 2009 (as amended, the "Investment Agreement") pursuant to which the Fund VIII CD&R Investors purchased and acquired from the Company, and the Company issued and sold to the Fund VIII CD&R Investors, shares of a newly created series of preferred stock, designated the Series B Cumulative Convertible Participating Preferred Stock, par value $1.00 per share of the Company (the "Series B Preferred Stock"), which was convertible into shares of Common Stock, par value $.01 per share of the Company (the "Common Stock");
WHEREAS, the Company and the Fund VIII CD&R Investors entered into that certain Registration Rights Agreement, dated as of October 20, 2009 (the "2009 Registration Rights Agreement"), whereby the Company and the Fund VIII CD&R Investors agreed to certain registration rights with respect to the Common Stock issuable upon conversion of the Series B Preferred Stock;
WHEREAS, as of the date of this Agreement, there is no Series B Preferred Stock issued or outstanding, and the CD&R Fund VIII Investors hold shares of Common Stock previously issued upon the conversion of Series B Preferred Stock;
WHEREAS, the Company and the Fund VIII CD&R Investors wish to terminate the 2009 Registration Rights Agreement upon entry into this Agreement;
WHEREAS, the Company, Ply Gem Parent, LLC, a Delaware limited liability company, and Clayton, Dubilier & Rice, LLC entered into an Agreement and Plan of Merger, dated July 17, 2018 (as it may be amended from time to time, the "Merger Agreement"), pursuant to which the Fund X CD&R Investors and the Golden Gate Investors will be issued shares of Common Stock;
WHEREAS, the Company and the Investors have entered into a Stockholders Agreement, dated as of the date hereof (as it may be amended from time to time, the "Stockholders Agreement"), which sets forth the terms and conditions of ownership of Common Stock by the Investors; and
WHEREAS, (i) the Investment Agreement and the Stockholders Agreement contemplate the execution and delivery of this Agreement and (ii) the Company desires to grant to the Holders (as defined herein) certain registration rights with respect to the Common Stock;
NOW, THEREFORE, in consideration of the premises and of the respective covenants and conditions hereinafter set forth, the parties hereto agree as follows:

TABLE OF CONTENTS

1. Demand Registrations.

(a) Requests for Registration. At any time and from time to time following the last day of the Holding Period, any Investor (the "Requesting Investor") may request in writing that the Company effect the registration under and in accordance with the provisions of the Securities Act of all or any part of the Registrable Securities held by such Investor and any of its Affiliates who are Investor Holders (each, a "Demand Request"). Promptly after its receipt of any Demand Request, but no later than 10 days after receipt by the Company of such Demand Request, the Company shall give written notice of such request to all other Holders (the "Demand Follow-Up Notice"), and shall use its reasonable best efforts to file, as promptly as reasonably practicable but not later than 30 days after receipt by the Company of such Demand Request, in accordance with the provisions of this Agreement, a Registration Statement covering all Registrable Securities that have been requested to be registered (i) in the Demand Request and (ii) by any other Holders by written notice to the Company given within 7 calendar days after the date the Company has given such Holders notice of the Demand Request, in accordance with the method or methods of disposition of the applicable Registrable Securities elected by the Requesting Investor, provided, however, that in case of a Demand Registration with respect to a Block Sale, the Registration Statement shall cover Registrable Securities that have been requested to be registered by any other Holders by written notice to the Company given within one Business Day. Any registration requested pursuant to this Section 1(a) is referred to in this Agreement as a "Demand Registration." The Company shall pay all expenses (subject to and in accordance with Section 4) incurred in connection with any registration pursuant to this Section 1.

All requests made pursuant to this Section 1 will specify the number of Registrable Securities to be registered, and the intended method or methods of disposition thereof.

(b) Limitations on Demand Registration and Shelf Underwritten Offering. The CD&R Investors and their Affiliates who are Investor Holders shall be entitled to initiate no more than six (6) Demands in the aggregate, and the Golden Gate Investors and their Affiliates who are Investor Holders shall be entitled to initiate no more than two (2) Demands in the aggregate, provided, however, that (i) (A) in respect of five out of the six such Demands to which the CD&R Investors are entitled under this Agreement and (B) with respect to one out of the two such Demands to which the Golden Gate Investors and their Affiliates are entitled under this Agreement, the Company shall not be obligated to effect such Demands unless the amount of Registrable Securities requested to be registered by the Requesting Investor and its Affiliates that are Investor Holders is reasonably expected to result in aggregate gross proceeds (prior to deducting underwriting discounts and commissions and offering expenses) of at least $100 million, with respect to Demands initiated by a CD&R Investors, and $75 million, with respect to Demands initiated by the Golden Gate Investors, and (ii) the Investors may not initiate, and the Company shall not be obligated to effect, more than three Demands in the aggregate during any 12-month period. "Demand" means any Demand Registration or Shelf Underwritten Offering; provided, that, for purposes of clause (i), "Demand" shall exclude any Shelf Underwritten Offering executed as a Block Sale without marketing efforts by the Company and, for the avoidance of doubt, participation in due diligence customarily conducted in connection with a Block Sale shall not constitute "marketing efforts." No request for registration shall count for the purposes of the limitations in this Section 1(b) if (A) the Requesting Investor determines in good faith to withdraw (prior to the effective date of the Registration Statement relating to such request) the proposed registration due to marketing conditions or regulatory reasons prior to the execution of an underwriting agreement or purchase agreement relating to such request, (B) the Registration Statement relating to a Demand Request is not declared effective within 180 days of the date such Registration Statement is filed with the Commission (other than solely by reason of the Requesting Investor having refused to proceed or a misrepresentation or an omission by the applicable Holders), (C) prior to the sale of at least 85% of the Registrable Securities included in the applicable registration relating to a Demand Request, such registration is adversely affected by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason and the Company fails to have such stop order, injunction, or other order or requirement removed, withdrawn or resolved to the reasonable satisfaction of the Requesting Investor and its Affiliates that are Investor Holders within 30 days of the date of such order, (D) more than 15% of the Registrable Securities requested by such Requesting Investor and its Affiliates that are Investor Holders to be included in such registration are not so included pursuant to Section 1(f), or (E) the conditions to closing specified in any underwriting agreement or purchase agreement entered into in connection with the registration relating to such request are not

satisfied
C-2

TABLE OF CONTENTS

(other than as a result of a default or breach thereunder by the Investors that proximately and primarily caused the failure of such conditions). Notwithstanding the foregoing or anything to the contrary contained in this Agreement, the Company shall pay all expenses (subject to and in accordance with Section 4) in connection with any request for registration pursuant to Section 1(a).

(c) Short-Form Registrations.

(i) The Company shall use its reasonable best efforts to file a registration statement on Form S-3 or any comparable or successor form or forms or any similar short-form registration statement (a “Short-Form Registration”) prior to the expiration of the Holding Period with respect to Fund VIII and the Golden Gate Investors, and such Short-Form Registration shall be a “shelf” registration statement providing for the registration of, and the sale on a continuous or delayed basis of the Registrable Securities, pursuant to Rule 415 or otherwise (a “Shelf Registration Statement”). In no event shall the Company be obligated to effect any shelf registration other than pursuant to a Short-Form Registration. The Company shall pay all expenses (subject to and in accordance with Section 4) in connection with any Short-Form Registration.

(ii) Upon filing any Short-Form Registration, the Company shall use its reasonable best efforts to keep such Short-Form Registration effective with the Commission at all times and to re-file such Short-Form Registration upon its expiration, and to cooperate in any shelf take-down, whether or not underwritten, by amending or supplementing the Prospectus related to such Short-Form Registration as may be reasonably requested by an Investor Holder, or as otherwise required, until such time as all Registrable Securities that could be sold in such Short-Form Registration have been sold or are no longer outstanding.

(iii) To the extent the Company is a well-known seasoned issuer (as defined in Rule 405) (a “WKSI”) at the time it files the Shelf Registration Statement pursuant to Section 1(c)(i) or at any time thereafter, the Company shall file an automatic shelf registration statement (as defined in Rule 405) on Form S-3 (an “Automatic Shelf Registration Statement”) in accordance with the requirements of the Securities Act and the rules and regulations of the Commission thereunder, which covers those Registrable Securities which are requested to be registered. The Company shall pay the registration fee for all Registrable Securities to be registered pursuant to an Automatic Shelf Registration Statement at the time of filing of the Automatic Shelf Registration Statement and shall not elect to pay any portion of the registration fee on a deferred basis. The Company shall use its reasonable best efforts to remain a WKSI (and not to become an ineligible issuer (as defined in Rule 405)) during the period during which any Automatic Shelf Registration Statement is effective. If at any time following the filing of an Automatic Shelf Registration Statement when the Company is required to re-evaluate its WKSI status the Company determines that it is not a WKSI, the Company shall use its reasonable best efforts to post-effectively amend the Automatic Shelf Registration Statement to a Shelf Registration Statement on Form S-3 or file a new Shelf Registration Statement on Form S-3 or, if such form is not available, Form S-1, have such Shelf Registration Statement declared effective by the Commission and keep such Registration Statement effective during the period during which such Short-Form Registration is required to be kept effective in accordance with Section 1(c)(ii).

(d) Restrictions on Demand Registrations. If the filing, initial effectiveness or continued use of a Registration Statement, with respect to a Demand Registration, would require the Company to make a public disclosure of material non-public information, which disclosure in the good faith judgment of the Board of Directors (after consultation with external legal counsel) (i) would be required to be made in any Registration Statement so that such Registration Statement would not be materially misleading, (ii) would not be required to be made at such time but for the filing, effectiveness or continued use of such Registration Statement, or (iii) would reasonably be expected to have a material adverse effect on the Company or its business or on the Company’s ability to effect a bona fide and reasonably imminent material proposed acquisition, disposition, financing, reorganization, recapitalization or similar transaction, then the Company may, upon giving prompt written notice of such action to the Holders participating in such registration, delay the filing or initial effectiveness or, or suspend use of, such Registration Statement; provided that the Company shall not be permitted to do so (x) more than once in any 6-month period or (y) for any single period of time in excess of 45 days, or for periods exceeding, in the aggregate, 90 days

TABLE OF CONTENTS

during any 12-month period. In the event that the Company exercises its rights under the preceding sentence, such Holders agree to suspend, promptly upon receipt of the notice referred to above, the use of any Prospectus relating to such registration in connection with any sale or offer to sell Registrable Securities. If the Company so postpones the filing of a Prospectus or the effectiveness of a Registration Statement, the Requesting Investor shall be entitled to withdraw such request and, if such request is withdrawn, such registration request shall not count for the purposes of the limitations set forth in Section 1(b) or Section 7(a). The Company shall pay all expenses (subject to and in accordance with Section 4) incurred in connection with any such aborted registration or prospectus.

(e) Selection of Underwriters. If the Requesting Investor intends that the Registrable Securities covered by its Demand Request shall be distributed by means of an underwritten offering, the Requesting Investor shall so advise the Company as a part of the Demand Request, and the Company shall include such information in the notice sent by the Company to the other Holders with respect to such Demand Request. In such event, the lead underwriter to administer the offering shall be chosen by the Requesting Investor, subject to the prior written consent, not to be unreasonably withheld or delayed, of the Company; provided, however, that with respect to any such offering in which the CD&R Investors participate, the lead underwriter to administer the offering shall be chosen by the CD&R Investors, subject to the prior written consent, not to be unreasonably withheld or delayed, of the Company.

(f) Priority on Demand Registrations. The Company shall not include in any underwritten registration pursuant to this Section 1 any securities that are not Registrable Securities without the prior written consent of the Requesting Investor. If any of the Registrable Securities registered pursuant to a Demand Registration are to be sold in a firm commitment underwritten offering, and the managing underwriter(s) of such underwritten offering advises the Holders that, in its good faith opinion, the total number or dollar amount of Registrable Securities (and, if permitted hereunder, Other Securities requested to be included in such offering) exceeds the largest number or dollar amount of securities that can be sold in such offering without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), the Company shall include in such offering only such number of securities that in the good faith opinion of such underwriter can be included without adversely affecting the marketability of the offering, which securities shall be so included in the following order of priority:

(i) first, in the case of a registration requested by either the Golden Gate Investors or Affiliates of a Golden Gate Investor or a CD&R Investor or Affiliates of a CD&R Investor, pro rata (if applicable) among the CD&R Investors, the Golden Gate Investors and their respective Affiliates on the basis of the aggregate number of Registrable Securities owned by the CD&R Investors, the Golden Gate Investors and their respective Affiliates, until with respect to each such Holder, all Registrable Securities requested for registration by such Holders have been included in such registration;

(ii) second, Registrable Securities of Holders other than the Investors and their respective Affiliates that are Holders, pro rata (if applicable) on the basis of the aggregate number of Registrable Securities owned by each such Holder; and

(iii) third, any Other Securities requested to be included therein by any other Person (including the securities to be sold for the account of the Company) allocated among such Persons in such manner as the Company may determine.

(g) Cancellation of Demand Registration. The Requesting Investor shall have the right to notify the Company at least two Business Days prior to the effectiveness of a Registration Statement relating to a Demand Registration that such Registration Statement be abandoned or withdrawn, in which event the Company shall promptly abandon or withdraw such Registration Statement. Any Holder who has elected to sell Registrable Securities in an underwritten offering pursuant to this Section 1 (including the Requesting Investor) shall be permitted to withdraw from such registration by written notice to the Issuer if the price to the public at which the Registrable Securities are proposed to be sold will be less than 90% of the average closing price of the class of stock in the offering during the 10 trading days preceding the date on which the Demand Notice of such offering was given.

2. Piggyback Registrations.

(a) Right to Piggyback. If, at any time following the last day of the Holding Period, the Company proposes or is required to file a Registration Statement under the Securities Act with respect to an offering

TABLE OF CONTENTS

of securities of the Company, whether or not for sale for its own account (including, but not limited to, a Shelf Registration Statement on Form S-3 or any successor form, but excluding a Registration Statement that is (i) solely in connection with a Special Registration or (ii) pursuant to a Demand Registration in accordance with Section 1 hereof), the Company shall give written notice (a "Piggyback Notice") as promptly as practicable, but not later than 30 days prior to the anticipated date of filing of such Registration Statement, to all Holders of its intention to effect such registration and shall include in such registration all Registrable Securities with respect to which the Company has received written notice from Holders for inclusion therein within 15 days after the date of the Company's notice (a "Piggyback Registration"). Any Holder that has made such a written request may withdraw its Registrable Securities from such Piggyback Registration by giving written notice to the Company and the managing underwriter, if any, (i) at any time at least two Business Days prior to the effective date of the Registration Statement relating to such Piggyback Registration or (ii) solely with respect to an underwritten offering, if the price to the public at which the Registrable Securities are proposed to be sold will be less than 90% of the average closing price of the class of stock being sold in the offering during the 10 days preceding the date on which the Piggyback Notice was given. The Company may terminate or withdraw any registration under this Section 2 prior to the effectiveness of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. There is no limitation on the number of Piggyback Registrations pursuant to this Section 2(a) which the Company is obligated to effect. No Piggyback Registration shall count towards registrations required under Section 1.

(b) Selection of Underwriters.   If the registration referred to in Section 2(a) is proposed to be underwritten, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 2(a). In such event, the lead underwriter to administer the offering shall be chosen by the Company, subject to the prior written consent, not to be unreasonably withheld or delayed, of the CD&R Investors.

(c) Piggyback Registration Expenses.   The Company shall pay all expenses (subject to and in accordance with Section 4) in connection with any Piggyback Registration, whether or not any registration or prospectus becomes effective or final or is terminated or withdrawn by the Company.

(d) Priority on Primary Registrations.   If the securities to be registered pursuant to this Section 2 are to be sold in an underwritten primary offering on behalf of the Company, the Holders shall be permitted to include all Registrable Securities requested to be included in such registration in such offering on the same terms and conditions as any Other Securities of the same type and class included therein; provided, however, if such offering involves a firm commitment underwritten offering and the managing underwriter(s) of such offering advises the Company and such requesting Holders in writing that, in its good faith opinion, the total number or dollar amount of Registrable Securities exceeds the largest number or dollar amount of securities that can be sold in such offering without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), the Company shall include in such registration or prospectus only such number of securities that in the good faith opinion of such underwriters can be sold in such offering without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), which securities shall be included in the following order of priority:

(i) first, the Other Securities that the Company proposes to sell;

(ii) second, the Registrable Securities requested to be included by the Holders, pro rata (if applicable) on the basis of the aggregate number of Registrable Securities owned by each such Holder; and

(iii) (third, any Other Securities requested to be included therein by any other Person (other than the Company) allocated among such Persons in such manner as the Company may determine.

(e) Priority on Secondary Registrations.   If the securities to be registered pursuant to this Section 2 are to be sold in an underwritten secondary offering on behalf of holders of Other Securities, the Holders shall be permitted to include all Registrable Securities requested to be included in such registration in such offering on the same terms and conditions as any Other Securities included therein; provided, however, that if the managing underwriter(s) of such offering advises the Company and such requesting Holders in writing that, in its good faith opinion, the total number or dollar amount of Registrable Securities exceeds

TABLE OF CONTENTS

the largest number or dollar amount of securities that can be sold in such offering without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), the Company shall include in such registration only such number of securities that in the reasonable opinion of such underwriters can be sold without adversely affecting the marketability of the offering, which securities shall be so included in the following order of priority:

(i) first, the Other Securities requested to be included therein by the holders exercising their contractual rights to demand such registration and the Registrable Securities requested to be included by the Holders, pro rata (if applicable) on the basis of the aggregate number of securities so requested to be included therein owned by each such holder; and

(ii) second, any Other Securities requested to be included therein by the Company or any other Person not exercising a contractual right to demand registration, allocated among such Persons in such manner as the Company may determine.

3. Registration Procedures. Subject to Section 1(d), whenever the Holders of Registrable Securities have requested that any Registrable Shares be registered pursuant to Section 1 or Section 2 of this Agreement, the Company shall use its reasonable best efforts to effect, as soon as practicable as provided herein, the registration and sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof. Without limiting the generality of the foregoing, and pursuant thereto, the Company shall cooperate in the sale of such Registrable Securities and shall, as expeditiously as possible:

(a) prepare and file with the Commission a Registration Statement with respect to such Registrable Securities as provided herein, make all required filings with FINRA and, if such Registration Statement is not automatically effective upon filing, use its reasonable best efforts to cause such Registration Statement to be declared effective as promptly as practicable after the filing thereof, provided that, before filing a Registration Statement or Prospectus or any amendments or supplements thereto (including free writing prospectuses under Rule 433 (each a “Free Writing Prospectus”)) and, to the extent reasonably practicable, documents that would be incorporated by reference or deemed to be incorporated by reference therein, the Company shall furnish to Holders’ Counsel and the managing underwriter(s), if any, copies of all such documents proposed to be filed (including exhibits thereto), which documents will be subject to the reasonable review and comment of such counsel at the Company’s expense. The Company shall not file any Registration Statement or Prospectus or any amendments or supplements thereto (including Free Writing Prospectuses) with respect to any registration pursuant to Section 1 or Section 2 of this Agreement to which the Holders’ Counsel or the managing underwriter(s), if any, shall reasonably object, in writing, on a timely basis, unless in the opinion of the Company, such filing is necessary to comply with applicable law;

(b) prepare and file with the Commission such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith and such Free Writing Prospectuses and Exchange Act reports as may be necessary to keep such Registration Statement effective for a period of (i) with respect to a Registration Statement other than a Shelf Registration Statement pursuant to a Short-Form Registration, (A) not less than six months, (B) if such Registration Statement relates to an underwritten offering, such longer period as in the opinion of counsel for the underwriters a Prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer, or (C) such shorter period as will terminate when all of the securities covered by such Registration Statement have been disposed of in accordance with the intended methods of distribution by the seller or sellers thereof set forth in such Registration Statement (but in any event not before the expiration of any longer period required under the Securities Act), or (ii) in the case of Shelf Registration Statements pursuant to a Short-Form Registration, the period set forth in Section 1(c)(ii), and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such Registration Statement;

(c) furnish to each seller of Registrable Securities, and the managing underwriter(s), if any, such number of conformed copies, without charge, of such Registration Statement, each amendment and supplement thereto, including each preliminary and final Prospectus, any Free Writing Prospectus, all exhibits and other documents filed therewith and such other documents as such Persons may reasonably request including in order to facilitate the disposition of the Registrable Securities in accordance with the

C-6

TABLE OF CONTENTS

intended method or methods of disposition thereof; and the Company, subject to the penultimate paragraph of this Section 3, hereby consents to the use of such Prospectus or and each amendment or supplement thereto by each of the sellers of Registrable Securities and the managing underwriter(s), if any, in connection with the offering and sale of the Registered Securities covered by such Prospectus and any such amendment or supplement thereto;

(d) use its reasonable best efforts to register or qualify such Registrable Securities under such other securities or “blue sky” laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things that may be necessary or reasonably advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller in accordance with the intended method or methods of disposition thereof (provided that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection, (ii) subject itself to taxation in any jurisdiction wherein it is not so subject or (iii) take any action which would subject it to general service of process in any jurisdiction wherein it is not so subject);

(e) use its reasonable best efforts to cause all Registrable Securities covered by such Registration Statement to be registered with or approved by such other governmental agencies, authorities and self-regulatory bodies as may be necessary or reasonably advisable in light of the business and operations of the Company to enable the seller or sellers thereof or the managing underwriter(s), if any, to consummate the disposition of such Registrable Securities in accordance with the intended method or methods of disposition thereof;

(f) promptly notify each seller of such Registrable Securities and the managing underwriter(s), if any, at any time when a Prospectus relating thereto is required to be delivered under the Securities Act of the occurrence of any event or existence of any fact as a result of which the Prospectus (including any information incorporated by reference therein) included in such Registration Statement, as then in effect, contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading in light of the circumstances under which they were made, and, as promptly as practicable upon discovery, prepare and furnish to such seller a reasonable number of copies of a supplement or amendment to such Prospectus, or file any other required document, as may be necessary so that, as thereafter delivered to any prospective purchasers of such Registrable Securities, such Prospectus shall not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading in light of the circumstances under which they were made;

(g) notify each seller of any Registrable Securities covered by such Registration Statement, Holders’ Counsel and the managing underwriter(s) of any underwritten offering, if any, (i) when the Registration Statement, any pre-effective amendment, the Prospectus or any Prospectus supplement or any post-effective amendment to the Registration Statement or any Free Writing Prospectus has been filed and, with respect to such Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission for amendments or supplements to such Registration Statement or to such Prospectus or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of such Registration Statement or the initiation of any proceedings for that purpose and (iv) of the suspension of the qualification of such securities for offering or sale in any jurisdiction, or the institution of any proceedings for any such purposes;

(h) use its reasonable best efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then listed on any securities exchange, use its reasonable best efforts to cause all such Registrable Securities to be listed on the NYSE or NASDAQ, as determined by the Company;

(i) provide and cause to be maintained a transfer agent and registrar for all such Registrable Securities from and after the effective date of such Registration Statement and, cooperate with the sellers of any Registrable Securities and the managing underwriter(s), if any, to facilitate the timely preparation and delivery of certificates (not bearing any legends) representing Registrable Securities to be sold after receiving written representations from each such seller of Registrable Securities that the Registrable Securities represented by the certificates so delivered by such seller will be transferred in accordance with

TABLE OF CONTENTS

the Registration Statement, and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriter(s), if any, or the sellers may request at least two Business Days prior to any sale of Registrable Securities;

(j) enter into such agreements (including underwriting agreements with customary provisions) and take all such other actions as the Requesting Investor (if such registration is a Demand Registration) or the managing underwriter(s), if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(k) make available for inspection by any seller of Registrable Securities and Holders' Counsel, any managing underwriter participating in any disposition pursuant to such Registration Statement and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and documents relating to the business of the Company, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such Registration Statement; provided, that each Holder shall, and shall use its commercially reasonable efforts to cause each such underwriter, accountant or other agent to (i) enter into a confidentiality agreement in form and substance reasonably satisfactory to the Company and (ii) minimize the disruption to the Company's business in connection with the foregoing;

(l) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable after the effective date of the Registration Statement, an earnings statement covering the period of at least 12 months beginning with the first day of the Company's first full calendar quarter after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(m) in the event of the issuance of any stop order suspending the effectiveness of a Registration Statement, or of any order suspending or preventing the use of any related Prospectus or ceasing trading of any securities included in such Registration Statement for sale in any jurisdiction, use every reasonable effort to obtain the withdrawal of such order at the earliest possible moment;

(n) cause its senior management to use reasonable best efforts to support the marketing of the Registrable Securities covered by the Registration Statement (including, without limitation, participation in "road shows") taking into account the Company's business needs;

(o) obtain one or more comfort letters, addressed to the sellers of Registrable Securities, dated the effective date of such Registration Statement and, if requested by the Requesting Investor, dated the date of sale by any Investor Holder (and, if such registration includes an underwritten public offering, including any Shelf Underwritten Offering, addressed to each of the managing underwriter(s) and dated the date of the closing under the underwriting agreement for such offering), signed by the independent public accountants who have issued an audit report on the Company's financial statements included in such Registration Statement in customary form and covering such matters of the type customarily covered by comfort letters as the Requesting Investor reasonably requests;

(p) use reasonable best efforts to provide legal opinions of the Company's outside counsel (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriter(s), if any, and Holders' Counsel), addressed to the Holders of the Registrable Securities being sold, dated the effective date of such Registration Statement, each amendment and supplement thereto, and, if requested by the Requesting Investor, dated the date of sale by any Investor Holder (and, if such registration includes an underwritten public offering, including any Shelf Underwritten Offering, addressed to each of the managing underwriter(s) and dated the date of the closing under the underwriting agreement), with respect to the Registration Statement, each amendment and supplement thereto (including the preliminary Prospectus) and such other documents relating thereto in customary form and covering such matters of the type customarily covered by legal opinions of such nature and such other matters as may be reasonably requested by Holders' Counsel (and, if applicable, by the managing underwriter(s)); and

(q) use its reasonable best efforts to take or cause to be taken all other actions, and do and cause to be done all other things, necessary or reasonably advisable to effect the registration of such Registrable Securities contemplated hereby.

TABLE OF CONTENTS
The Company agrees not to file or make any amendment to any Registration Statement with respect to any Registrable Securities, or any amendment of or supplement to the Prospectus or any Free Writing Prospectus used in connection therewith, that refers to any Holder covered thereby by name, or otherwise identifies such Holder as the holder of any securities of the Company, without the consent of such Holder, such consent not to be unreasonably withheld or delayed, unless and to the extent such disclosure is required by law, in which case the Company shall provide written notice to such Holders no less than five Business Days prior to the filing of such amendment to any Registration Statement or amendment of or supplement to the Prospectus or any Free Writing Prospectus.

If the Company files any Shelf Registration Statement for the benefit of the holders of any of its securities other than the Holders, the Company agrees that it shall use its reasonable best efforts to include in such registration statement such disclosures as may be required by Rule 430B under the Securities Act (referring to the unnamed selling security holders in a generic manner by identifying the initial offering of the securities to the Holders) in order to ensure that the Holders may be added to such Shelf Registration Statement at a later time through the filing of a Prospectus supplement rather than a post-effective amendment.

Subject to the limitations on the Company’s ability to delay the use or effectiveness of a Registration Statement as provided in Section 1(d), each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(f), such Holder shall promptly discontinue its disposition of Registrable Securities pursuant to any Registration Statement (other than offers or sales pursuant to a plan that is in effect and that complies with Rule 10b5-1 under the Exchange Act) until such Holder’s receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(f). If so directed by the Company, each such Holder shall deliver to the Company (at the Company’s expense) all copies, other than permanent file copies, in such Holder’s possession of the Prospectus covering such Registrable Securities at the time of receipt of such notice. In the event that the Company shall give any such notice, the period mentioned in Section 3(b), as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when such Holder shall have received the copies of the supplemented or amended Prospectus contemplated by Section 3(f).

The Company may require each Holder of Registrable Securities as to which any registration is being effected to furnish the Company with such information regarding such Holder and pertinent to the disclosure requirements relating to the registration and the distribution of such securities as the Company may from time to time reasonably request in writing.

4. Registration Expenses.

(a) Except as otherwise provided in this Agreement, all expenses incidental to the Company’s performance of or compliance with this Agreement (the “Registration Expenses”), including, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with the Commission, all applicable securities exchanges and/or FINRA and (B) in connection with actions taken to comply with securities or “blue sky” laws including any fees and disbursements of counsel for the underwriter(s) in connection with “blue sky” qualifications of the Registrable Securities pursuant to Section 3(d)), (ii) word processing, duplicating and printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing Prospectuses if the printing of Prospectuses is requested by the managing underwriter(s), if any, or by the Holders of a majority of the Registrable Securities included in any Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, and (v) fees and disbursements of all independent certified public accountants (including, without limitation, the fees and disbursements in connection with any “cold comfort” letters required by this Agreement), underwriters and other Persons, including special experts, retained by the Company, shall be borne by the Company. The Company shall, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit or quarterly review, the expenses of any liability insurance, the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed and ratings

TABLE OF CONTENTS

agency fees. All Selling Expenses shall be borne by the holders of the securities so registered pro rata on the basis of the amount of proceeds from the sale of their shares so registered. For the avoidance of doubt, the Company shall not bear any Selling Expenses in connection with its obligations under this Agreement.

(b) The Company shall not, however, be required to pay for expenses of any Demand Registration begun pursuant to Section 1 or Shelf Underwritten Offering begun pursuant to Section 7, the request of which has been subsequently withdrawn by the Requesting Investor unless (i) the withdrawal is based upon (A) any fact, circumstance, event, change, effect or occurrence that, individually or in the aggregate with all other facts or circumstances, events, changes, effects or occurrences, has a material adverse effect on the Company, or (B) material adverse information concerning the Company that the Company had not publicly disclosed at least forty-eight (48) hours prior to such registration request or of which the Company had not otherwise notified, in writing, the Requesting Investor at the time of such request, (ii) the Requesting Investor has not withdrawn two Demand Registrations of a type not covered by clause (i)(A) or (i)(B) of this Section 4(b), or (iii) after the Requesting Investor's withdrawal of two Demand Registrations where such withdrawal is not covered by clause (i)(A) or (i)(B) of this Section 4(b), the Requesting Investor agrees to forfeit its right to one Demand Registration or Shelf Underwritten Offering pursuant to Section 1 or Section 7, as applicable, with respect to the limit set forth in Section 1(b).

(c) If the Requesting Investor and/or the Holders are required to pay Registration Expenses, such expenses shall be borne by the holders of the securities that would have been registered had the applicable registration request not been withdrawn, pro rata on the basis of the number of such shares held by them. If the Company is required to pay the Registration Expenses of a withdrawn offering pursuant to clause (i) or (ii) of Section 4(b), then the Requesting Investor shall not forfeit its rights pursuant to Section 1 or Section 7, as applicable.

(d) In connection with each registration contemplated hereby, the Company shall reimburse the holders of Registrable Securities covered by the applicable registration for (i) the reasonable fees and disbursements of one United States counsel ("Holders' Counsel") selected by the CD&R Investors if any CD&R Investor Holder is participating in such registration, selected by the Golden Gate Investors if the Golden Gate Investors are participating in such registration and no CD&R Investor is participating, and, if no Investor Holder is participating, one counsel for the Holders, selected by Holders of the majority of the Registrable Securities participating in such registration and (ii) the reasonable fees and disbursements, if any, of one counsel for each Holder of Registrable Securities covered by such registration, incurred solely in connection with delivering any opinion required under the applicable underwriting agreement.

5. Indemnification.

(a) The Company agrees to indemnify and hold harmless, and hereby does indemnify and hold harmless, to the fullest extent permitted by law, each Holder, each Affiliate thereof, any Person who is or might be deemed to be a controlling Person of the Company or any of its subsidiaries within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, their respective direct and indirect general and limited partners, advisory board members, directors, officers, trustees, managers, members, Affiliates and shareholders, and each other Person, if any, who controls any such Holder or any such controlling person within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being referred to herein as a "Covered Person") against, and pay and reimburse such Covered Persons for any losses, claims, damages, liabilities, joint or several, to which such Covered Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (i) any untrue or alleged untrue statement of material fact contained or incorporated by reference in any Registration Statement or Prospectus or Free Writing Prospectus or any amendment thereof or supplement thereto or any document incorporated by reference therein, or any other such disclosure document (including reports and other documents filed under the Exchange Act and any document incorporated by reference therein) or other document or report, (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) any violation by the Company of any rule or regulation promulgated under the Securities Act or any state securities laws applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, and the Company shall pay and

TABLE OF CONTENTS

reimburse such Covered Persons for any legal or any other expenses actually and reasonably incurred by them in connection with investigating, defending or settling any such loss, claim, liability, action or proceeding, provided that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission, made or incorporated by reference in such Registration Statement, any such Prospectus or any such Free Writing Prospectus or any amendment thereof or supplement thereto, or any document incorporated by reference therein, or any other such disclosure document (including reports and other documents filed under the Exchange Act and any document incorporated by reference therein) or other document or report, or in any application in reliance upon, and in conformity with, written information prepared and furnished to the Company by such Covered Person pertaining exclusively to such Covered Person expressly for use therein.

(b) In connection with any Registration Statement in which a Holder is participating, each such Holder shall furnish to the Company in writing such information and affidavits pertaining exclusively to such Holder as the Company reasonably requests for use in connection with any such Registration Statement or Prospectus and, shall indemnify and hold harmless the Company, its directors and officers, each underwriter and any Person who is or might be deemed to be a controlling person of the Company or any of its subsidiaries within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each such underwriter against any losses, claims, damages, liabilities, joint or several, to which such Holder or any such director or officer, any such underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (i) any untrue or alleged untrue statement of material fact contained in any Registration Statement or Prospectus or Free Writing Prospectus or any amendment thereof or supplement thereto or in any application, (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is made in such Registration Statement, any such Prospectus or Free Writing Prospectus or any amendment or supplement thereto, or in any application, in reliance upon and in conformity with written information prepared and furnished to the Company by such Holder pertaining exclusively to such Holder expressly for use therein, or (iii) any violation by the Holder of any rule or regulation promulgated under the Securities Act or any state securities laws applicable to the Holder and relating to action or inaction required of the Holder in connection with any such registration, and such Holder shall reimburse the Company and each such director, officer, underwriter and controlling Person for any legal or any other expenses actually and reasonably incurred by them in connection with investigating, defending or settling any such loss, claim, liability, action or proceeding, provided that the obligation to indemnify and hold harmless shall be individual and several to each Holder and shall be limited to the net amount of proceeds received by such Holder from the sale of Registrable Securities pursuant to such Registration Statement.

(c) Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not, without the indemnified party's prior consent, settle or compromise any action or claim or consent to the entry of any judgment unless such settlement or compromise includes as an unconditional term thereof the release of the indemnified party from all liability, which release shall be reasonably satisfactory to the indemnified party. An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

(d) The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the registration and sale of any securities by any Person entitled to any indemnification hereunder and the expiration or termination of this Agreement.

TABLE OF CONTENTS

(e) If the indemnification provided for in this Section 5 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other hand in connection with the statements or omissions which resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations. The relevant fault of the indemnifying party and the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Notwithstanding the foregoing, the amount any Holder shall be obligated to contribute pursuant to this Section 5(e) shall be limited to an amount equal to the net proceeds to such Holder of the Registrable Securities sold pursuant to the Registration Statement which gives rise to such obligation to contribute (less the aggregate amount of any damages which the Holder has otherwise been required to pay in respect of such loss, claim, damage, liability or action or any substantially similar loss, claim, damage, liability or action arising from the sale of such Registrable Securities). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) To the extent that any of the Holders is, or would be expected to be, deemed to be an underwriter of Registrable Securities pursuant to any Commission comments or policies or any court of law or otherwise, the Company agrees that (i) the indemnification and contribution provisions contained in this Section 5 shall be applicable to the benefit of such Holder in its role as deemed underwriter in addition to its capacity as a Holder (so long as the amount for which any other Holder is or becomes responsible does not exceed the amount for which such Holder would be responsible if the Holder were not deemed to be an underwriter of Registrable Securities) and (ii) such Holder and its representatives shall be entitled to conduct the due diligence which would normally be conducted in connection with an offering of securities registered under the Securities Act, including receipt of customary opinions and comfort letters.

6. Participation in Underwritten Registrations. No Person may participate in any registration hereunder that is underwritten unless such Person (i) agrees to sell the Registrable Securities or Other Securities it desires to have covered by the registration on the basis provided in any underwriting arrangements in customary form approved by the Person or Persons entitled hereunder to approve such arrangements (including, without limitation, pursuant to the terms of any over-allotment or "green shoe" option requested by the managing underwriter(s), provided that (A) no Holder shall be required to sell more than the number of Registrable Securities that such Holder has requested the Company to include in any registration) and (B) if any Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Company, the managing underwriter(s) and, in connection with an underwritten registration pursuant to Section 1, the Requesting Investor, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, provided that no such Person (other than the Company) shall be required to make any representations or warranties other than those related to title and ownership of, and power and authority to transfer, shares and as to the accuracy and completeness of statements made in a Registration Statement, Prospectus or other document in reliance upon, and in conformity with, written information prepared and furnished to the Company or the managing underwriter(s) by such Person pertaining exclusively to such Holder and (iii) cooperates with the Company's reasonable requests in connection with such registration or qualification (it being understood that the Company's failure to perform its obligations hereunder, which failure is caused by such Holder's failure to cooperate, shall not constitute a breach by the Company of this Agreement). Notwithstanding the foregoing, no Holder shall be required to agree to any indemnification obligations on the part of such Holder that are greater than its obligations pursuant to Section 5(b).

7. Shelf Take-Downs.

(a) At any time that a Shelf Registration Statement covering Registrable Securities is effective, if a Requesting Investor delivers a notice (a "Take-Down Notice") to the Company stating that it intends to

TABLE OF CONTENTS

effect an underwritten offering of all or part of its or its Affiliates that are Investor Holders' Registrable Securities, in each case included by it or them on the Shelf Registration Statement (a "Shelf Underwritten Offering") the Company shall amend or supplement the Shelf Registration Statement or related Prospectus as may be necessary in order to enable such Registrable Securities to be distributed pursuant to the Shelf Underwritten Offering (taking into account the inclusion of Registrable Securities by any other Holders pursuant to Section 1(f)), provided that, (i) the Investors' entitlement to deliver a Take-Down Notice shall be subject to the limitations on Demands set forth in Section 1(b), and (ii) the Investors may not deliver any Take-Down Notice within 30 days after the effective date of any Registration Statement of the Company hereunder.

(b) In connection with any Shelf Underwritten Offering:

(i) with respect to any Take-Down Notice that does not pertain to a Block Sale, within two calendar days of receipt of such Take-Down Notice, the Requesting Investor, as applicable, shall also deliver the Take-Down Notice to all other Holders included on such Shelf Registration Statement and permit each Holder to include its Registrable Securities included on the shelf registration statement in the Shelf Underwritten Offering if such Holder notifies the Requesting Investor and the Company within five calendar days after delivery (including via e-mail, if available) of the Take-Down Notice to such Holder;

(ii) with respect to any Take-Down Notice pertaining to a Block Sale, within one Business Day of receipt of such Take-Down Notice, the Requesting Investor, as applicable, shall also deliver the Take-Down Notice to all other Holders included on such Shelf Registration Statement and permit each Holder to include its Registrable Securities included on the Shelf Registration Statement in the Shelf Underwritten Offering if such Holder notifies the Requesting Investor and the Company within one Business Day after delivery of the Take-Down Notice to such Holder; and

(iii) in the event that the managing underwriter advises the Company in its good faith opinion that marketing factors (including an adverse effect on the per share offering price) require a limitation on the number of shares which would otherwise be included in such take-down, the managing underwriter may limit the number of shares which would otherwise be included in such take-down offering in the same manner as is described in Section 1(f) with respect to a limitation of shares to be included in a registration.

(c) If, in connection with a Shelf Underwritten Offering, the managing underwriter(s) shall advise the Company and the Holders that, in its good faith opinion, it is of material importance to the success of such proposed offering to file a registration statement on Form S-1 (or any successor or similar registration statement) or to include in such registration statement information not required to be included in a Short-Form Registration, then the Company shall file a registration statement on Form S-1 or supplement the Short-Form Registration as reasonably requested by such managing underwriter(s).

8. Rule 144; Rule 144A. The Company covenants that it will timely file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Holder, make publicly available other information so long as necessary to permit sales pursuant to Rule 144 or Rule 144A under the Securities Act or any similar rules or regulations hereafter adopted by the Commission), and it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 or Rule 144A or Regulation S under the Securities Act, as such rules may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any Holder, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements and, if not, the specifics thereof.

9. Holdback.

(a) In consideration for the Company agreeing to its obligations under this Agreement, each Holder agrees, in connection with any underwritten offering made pursuant to a Registration Statement in which such Holder has elected to include Registrable Securities, upon the written request of the managing

TABLE OF CONTENTS

underwriter(s) of such offering, not to effect (other than pursuant to such underwritten offering) any public sale or distribution of Registrable Securities, including, but not limited to, any sale pursuant to Rule 144 or Rule 144A, or make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Registrable Securities, any Other Securities of the Company or any securities convertible into or exchangeable or exercisable for any Other Securities of the Company without the prior written consent of the managing underwriter(s) during the Holdback Period. The Company agrees that the Holders shall only be bound so long as and to the extent that each other stockholder having registration rights with respect to the securities of the Company is similarly bound; provided that a request under this Section 9(a) shall not be effective more than once in any 12-month period.

(b) In connection with any underwritten offering of Registrable Securities covered by a registration pursuant to Section 1, the Company agrees, upon the written request of the managing underwriter(s) of such offering, not to effect (other than pursuant to such registration or pursuant to a Special Registration) any public sale or distribution, or to file any Registration Statement (other than solely in connection with such registration or a Special Registration) covering any, of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the Holdback Period; provided that a request under this Section 9(b) shall not be effective more than once in any twelve-month period.

10. Certain Additional Agreements. If any Registration Statement or comparable statement under state “blue sky” laws refers to any Holder by name or otherwise as the Holder of any securities of the Company, then such Holder shall have the right to require (a) the insertion therein of language, in form and substance satisfactory to such Holder and the Company, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company’s securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (b) in the event that such reference to such Holder by name or otherwise is not in the judgment of the Company, as advised by outside counsel, required by the Securities Act or any similar federal statute or any state “blue sky” or securities law then in force, the deletion of the reference to such Holder; provided, however, that if any Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Company and if in such Holder’s sole and exclusive judgment, such Holder is or might be deemed to be an underwriter or a controlling Person of the Company, such Holder shall have the right to require (i) the insertion therein of language, in form and substance reasonably satisfactory to such Holder and the Company and presented to the Company in writing, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company’s securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute or any state “blue sky” or securities law then in force, the deletion of the reference to such Holder; provided that, with respect to this clause (ii), if reasonably requested by the Company, such Holder shall furnish to the Company an opinion of counsel to such effect, which opinion and counsel shall be reasonably satisfactory to the Company.

11. Term. This Agreement shall be effective as of the date hereof and shall continue in effect thereafter until the date on which no Registrable Securities remain outstanding, except for the provisions of Section 4, Section 5 and Section 8, this Section 11 and Section 13, which shall survive such termination.

12. Defined Terms. In addition to other terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the meanings ascribed to them below. All terms used and not defined in this Agreement shall have the meanings assigned to them in the Stockholders Agreement or, if not defined therein, in the Investment Agreement.

“2009 Registration Rights Agreement” has the meaning set forth in the Recitals.

“Agreement” has the meaning set forth in the Recitals.

“Automatic Shelf Registration Statement” has the meaning set forth in Section 1(c)(iii).

“Block Sale” means the sale of Registerable Securities to one or several purchasers in a registered transaction by means of (i) a bought deal, (ii) a block trade or (iii) a registered direct sale.

TABLE OF CONTENTS

"CD&R FF Fund VIII" has the meaning set forth in the Preamble.
"CD&R Fund VIII" has the meaning set forth in the Preamble.
"CD&R Investor" has the meaning set forth in the Preamble.
"CD&R Investors" has the meaning set forth in the Preamble.
"CD&R Parent Controlled Affiliate" has the meaning set forth in the Stockholders Agreement.
"Change of Control Event" has the meaning set forth in the Stockholders Agreement.
"Closing Date" has the meaning set forth in the Merger Agreement.
"Commission" means the Securities and Exchange Commission or any other federal agency administering the Securities Act.
"Common Stock" has the meaning set forth in the Recitals.
"Company Default Event" has the meaning set forth in the Stockholders Agreement.
"Covered Person" has the meaning set forth in Section 5(a).
"Demand" has the meaning set forth in Section 1(b).
"Demand Follow-Up Notice" has the meaning set forth in Section 1(a).
"Demand Registration" has the meaning set forth in Section 1(a).
"Demand Request" has the meaning set forth in Section 1(a).
"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal statute and the rules and regulations thereunder, as in effect from time to time.
"FINRA" means the Financial Industry Regulatory Authority.
"Free Writing Prospectus" has the meaning set forth in Section 3(a).
"Fund VIII CD&R Investors" has the meaning set forth in the Preamble.
"Fund X CD&R Investor" has the meaning set forth in the Preamble.
"Holdback Period" means (i) with respect to any registered offering covered by this Agreement, 90 days (or such shorter period as the managing underwriters permit) after and 10 days before, the effective date of the related Registration Statement, or (ii) in the case of a takedown from a Shelf Registration Statement, 90 days (or such shorter period as the managing underwriters permit) after the date of the Prospectus supplement filed with the SEC in connection with such takedown and during such prior period (not to exceed 10 days) as the Company has given reasonable written notice to the holder of Registrable Securities. Notwithstanding anything to the contrary set forth above, in connection with an underwritten offering that is a Block Sale, such Holdback Period shall not exceed forty-five (45) days.
"Holders" means (i) the Investor Holders and (ii) the Permitted Third Party Transferees.
"Holders' Counsel" has the meaning set forth in Section 4(d).
"Holding Period" means the period starting on and including the Closing Date and ending on (a) the date that is 18 months after the Closing Date, with respect to the Fund X CD&R Investor, and (b) the later of (i) the date that is 90 days after the Closing Date and (ii) January 31, 2018, with respect to the Fund VIII CD&R Investors and the Golden Gate Investors; provided that the Holding Period shall terminate on the occurrence of (x) a Company Default Event or (y) a Change of Control Event.
"Investment Agreement" has the meaning set forth in the Recitals.
"Investor Holders" means (i) the Investors and (ii) the Permitted Affiliate Transferees.
"Investors" has the meaning in set forth in the Preamble.
"Merger Agreement" has the meaning set forth in the Recitals.

TABLE OF CONTENTS

"Other Securities" means any equity securities of the Company other than Registrable Securities.

"Permitted Affiliate Transferee" means (i) in the case of the CD&R Investors, a CD&R Parent Controlled Affiliate or (ii) in the case of the Golden Gate Investors, an Affiliate of the Golden Gate Investors, but only if such Person is a Transferee or assignee in accordance with Section 4.1(a) or Section 9.2 of the Stockholders Agreement, respectively, and that has agreed in writing for the benefit of the Company (with a copy thereof to be furnished to the Company) to be bound by the provisions of this Agreement.

"Permitted Third Party Transferee" means (i) any transferee (other than an Investor Holder) of all or any portion of the Registrable Securities held by an Investor Holder; provided, that such transfer was not in violation of the Stockholders Agreement, or (ii) the subsequent transferee of all or any portion of the Registrable Securities held by any Permitted Third Party Transferee, in each case, that has agreed in writing for the benefit of the Company (with a copy thereof to be furnished to the Company) to be bound by the provisions of this Agreement.

"Person" means an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization or a government or department or agency thereof.

"Piggyback Registration" has the meaning set forth in Section 2(a).

"Prospectus" means the prospectus or prospectuses (whether preliminary or final) included in any Registration Statement and relating to Registrable Securities, as amended or supplemented and including all material incorporated by reference in such prospectus or prospectuses.

"Register," "registered" and "registration" refers to a registration effected by preparing and filing a Registration Statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such Registration Statement, and compliance with applicable state securities laws of such states in which the Requesting Investor notifies the Company of its intention to offer Registrable Securities.

"Registrable Securities" means (a) any shares of Common Stock held by a Holder and (b) to the extent held by a Holder, any other equity securities or equity interests issued with respect to Common Stock by way of conversion or exchange thereof or stock dividends, stock splits or in connection with a combination of shares, reclassification, recapitalization, merger, consolidation or other reorganization. As to any particular securities constituting Registrable Securities, once issued such securities shall cease to be Registrable Securities when (A) a Registration Statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such Registration Statement, (B) such securities shall have been sold to the public pursuant to Rule 144 or Rule 145 or other exemption from registration under the Securities Act, (C) such securities shall have ceased to be outstanding or (D) such securities are transferred to a person who is not a Holder.

"Registration Statement" means any registration statement of the Company which covers any of the Registrable Securities pursuant to the provisions of this Agreement, including any Prospectus or Free Writing Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all documents incorporated by reference in such Registration Statement.

"Requesting Investor" has the meaning set forth in Section 1(a).

"Rule 144" means Rule 144 under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

"Rule 144A" means Rule 144A under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

"Rule 145" means Rule 145 under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

"Rule 405" means Rule 405 under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

"Rule 415" means Rule 415 under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

TABLE OF CONTENTS

“Rule 433” means Rule 433 under the Securities Act or any successor or similar rule as may be enacted by the Commission from time to time, as in effect from time to time.

“Securities Act” means the Securities Act of 1933, as amended, or any similar federal statute and the rules and regulations thereunder, as in effect from time to time.

“Selling Expenses” means all underwriting discounts, selling commissions and transfer taxes applicable to the sale of Registrable Securities hereunder and any other expenses required by law to be paid by a selling Holder.

“Series B Preferred Stock” has the meaning set forth in the Recitals.

“Shelf Registration Statement” has the meaning set forth in Section 1(c)(i).

“Shelf Underwritten Offering” has the meaning set forth in Section 7(a).

“Short-Form Registration” has the meaning set forth in Section 1(c)(i).

“Special Registration” means the registration of (i) equity securities and/or options or other rights in respect thereof solely registered on Form S-4, Form S-8 or any successor forms thereto or (ii) shares of equity securities and/or options or other rights in respect thereof to be offered solely in connection with an employee benefit or dividend reinvestment plan.

“Stockholders Agreement” has the meaning set forth in the Recitals.

“Take-Down Notice” has the meaning set forth in Section 7(a).

“WKSI” has the meaning set forth in Section 1(c)(iii).

13. Miscellaneous.

(a) No Inconsistent Agreements; No Grant of Registration Rights to Other Persons. The Company shall not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the holders of Registrable Securities in this Agreement or take any action, or permit any change to occur, with respect to its securities which would adversely affect the ability of any Holder of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement. Until such time as the CD&R Investors Voting Interest is less than 25%, the Company shall not grant to any holder or prospective holder of any securities of the Company registration rights with respect to such securities without the prior written consent of the CD&R Investors.

(b) Amendments and Waivers.

(i) Except as otherwise provided herein, the provisions of this Agreement may be amended or waived only upon the prior written consent of the Company and the Investors. A copy of each such amendment shall be sent to each Holder and shall be binding upon each party hereto; provided, further, that the failure to deliver a copy of such amendment shall not impair or affect the validity of such amendment.

(ii) The waiver by any party hereto of a breach of any provisions of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach, except as otherwise explicitly provided for in such waiver. Except as otherwise expressly provided herein, no failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

(c) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. In addition, the provisions of this Agreement which are for the benefit of Holders shall be for the benefit of and enforceable by any Permitted Affiliate Transferee and any Permitted Third Party Transferee. Notwithstanding anything to the contrary in this Agreement, the Company may assign this Agreement in connection with a merger, reorganization or sale, transfer or contribution of all or substantially all of the assets or stock of the

TABLE OF CONTENTS

Company to any of its subsidiaries or Affiliates, and, upon the consummation of any such merger, reorganization, sale, transfer or contribution, such subsidiary or Affiliate shall automatically and without further action assume all of the obligations and succeed to all the rights of the Company under this Agreement.

(d) Severability. If any term or provision of this Agreement or any application thereof shall be declared or held invalid, illegal or unenforceable, in whole or in part, whether generally or in any particular jurisdiction, such provision shall be deemed amended to the extent, but only to the extent, necessary to cure such invalidity, illegality or unenforceability, and the validity, legality and enforceability of the remaining provisions, both generally and in every other jurisdiction, shall not in any way be affected or impaired thereby.

(e) Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

(f) Headings. The descriptive headings of the several sections in this Agreement are for convenience only and do not constitute a part of this Agreement and shall not be deemed to limit or affect in any way the meaning or interpretation of this Agreement.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York applicable to contracts made and to be performed within the State of New York, without giving effect to conflicts of law rules that would require or permit the application of the Laws of another jurisdiction.

(h) Consent to Jurisdiction. Each party irrevocably submits to the exclusive jurisdiction of (i) the Supreme Court of the State of New York, New York County and (ii) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby (and agrees not to commence any such suit, action or other proceeding except in such courts). Each party further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth or referred to in Section 13(k) shall be effective service of process for any such suit, action or other proceeding. Each party irrevocably and unconditionally waives any objection to the laying of venue of any such suit, action or other proceeding in (i) the Supreme Court of the State of New York, New York County, and (ii) the United States District Court for the Southern District of New York, that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

(i) Waiver of Jury Trial. Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each party (i) certifies and acknowledges that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, and (ii) acknowledges that it understands and has considered the implications of this wavier and makes this waiver voluntarily, and that it and the other parties have been induced to enter into the Agreement by, among other things, the mutual waivers and certifications in this Section 13(h).

(j) Enforcement; Attorney's Fees. Each party hereto acknowledges that money damages would not be an adequate remedy in the event that any of the covenants or agreements in this Agreement are not performed in accordance with its terms, and it is therefore agreed that in addition to and without limiting any other remedy or right it may have, the non-breaching party will have the right to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof, provided that no Holder will have any right to an injunction to prevent the filing or effectiveness of any Registration Statement of the Company. In any action or proceeding brought to enforce any provision of this Agreement, the successful party shall be entitled to recover reasonable attorneys' fees in addition to its costs and expenses and other available remedies.

(k) No Third Party Beneficiaries. Except as set forth in Section 5, nothing in this Agreement shall confer any rights upon any Person other than the parties hereto and each such party's respective heirs, successors and permitted assigns.

TABLE OF CONTENTS

(l) Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed, certified or registered mail with postage prepaid, (c) sent by reputable overnight courier or (d) sent by fax (provided a confirmation copy is sent by one of the other methods set forth above), as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

If to the Company, to it at:
NCI Building Systems, Inc.
Attention: General Counsel
10943 North Sam Houston Parkway West
Houston, Texas 77064
Fax: (281) 477-9674
with a copy to (which shall not constitute notice):
Wachtell, Lipton, Rosen & Katz
Attention: Mark Gordon
51 West 52nd Street
New York, NY 10019
Fax: (212) 403-2000
If to the CD&R Investors, to them at:
CD&R Pisces Holdings, L.P.
Clayton, Dubilier & Rice Fund VIII, L.P.
Clayton, Dubilier & Rice Friends & Family Fund VIII, L.P.
c/o Clayton, Dubilier & Rice, Inc.
Attention: Nathan K. Sleeper, J.L. Zrebiec
375 Park Avenue, 18th Floor
New York NY 10152
Fax: (212) 893-5252
with a copy to (which shall not constitute notice):
Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attention: Paul S. Bird
Fax: (212) 909-6435
If to the Golden Gate Investors, to them at:
Atrium Intermediate Holdings, LLC
c/o Golden Gate Private Equity, Inc.
One Embarcadero Center, Suite 3900
San Francisco, CA 94111
Attention: Rajeev Amara, Stephen Oetgen

TABLE OF CONTENTS

With a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
555 California Street
San Francisco, California 94104
Attention: Jeremy M. Veit, P.C.

If to any other Holder, to its address set forth on the signature page of such Holder to this Agreement with a copy (which shall not constitute notice) to any party so indicated thereon.

All such notices, requests, demands, waivers and other communications shall be deemed to have been received (w) if by personal delivery, on the day delivered, (x) if by certified or registered mail, on the fifth Business Day after the mailing thereof, (y) if by overnight courier, on the day delivered, or (z) if by fax, on the day delivered.

(m) Entire Agreement. This Agreement, the other Transaction Documents and the schedules and exhibits attached to any such documents constitute the entire agreement and understanding between the Company and the Investors with respect to the matters referred to herein and supersede all prior agreements, understandings or representations, in each case among the parties, with respect to such matters.

(n) Termination of Prior Agreement. Fund VIII CD&R Investors and the Company agree that the 2009 Registration Rights Agreement is hereby terminated, provided that Sections 4, 5, 8, 11 and 13 of the 2009 Registration Rights Agreement shall survive in accordance with the terms of the 2009 Registration Rights Agreement.

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TABLE OF CONTENTS

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized officers as of the date set forth at the head of this Agreement.

NCI BUILDING SYSTEMS, INC.

By:

Name:

Title:

[Signature Page — Registration Rights Agreement]

TABLE OF CONTENTS

CLAYTON, DUBILIER & RICE FUND VIII, L.P.
By:
CD&R Associates VIII, Ltd.,
its general partner

By:
Name: Theresa A. Gore
Title: Vice President, Treasurer & Assistant Secretary

CD&R FRIENDS & FAMILY FUND VIII, L.P.
By:
CD&R Associates VIII, Ltd.,
its general partner

By:
Name: Theresa A. Gore
Title: Vice President, Treasurer & Assistant Secretary

[Signature Page — Registration Rights Agreement]

TABLE OF CONTENTS

CD&R PISCES HOLDINGS, L.P.

By:

CD&R Associates X, L.P.,
its general partner

By:

CD&R Investment Associates X, Ltd., its general partner

By:

Name: Theresa A. Gore

Title: Vice President, Treasurer & Assistant Secretary

[Signature Page — Registration Rights Agreement]

TABLE OF CONTENTS

ATRIUM INTERMEDIATE HOLDINGS, LLC
By:
Name: [Rajeev Amara]
Title: [Manager]
[Signature Page — Registration Rights Agreement]

TABLE OF CONTENTS

GGC BP Holdings, LLC

By:

Name:

Title:

[Signature Page — Registration Rights Agreement]

C-25

TABLE OF CONTENTS

AIC Finance Partnership, L.P.

By:

Name:

Title:

[Signature Page — Registration Rights Agreement]

C-26

TABLE OF CONTENTS

Annex D

July 17, 2018

The Board of Directors of
NCI Building Systems, Inc.
10943 North Sam Houston Parkway West
Houston, Texas 77064

Members of the Board of Directors:

We understand that NCI Building Systems, Inc., a Delaware corporation (the "Company"), proposes to enter into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), with Ply Gem Parent, LLC, a Delaware limited liability company ("Ply Gem") and, for the purposes of Sections 6.1(e), 6.5(a)(i), 6.5(a)(ii), 6.5(a)(iv), 6.5(b) and 6.5(c) of the Merger Agreement, Clayton, Dubilier & Rice, LLC, a Delaware limited liability company and an affiliate of both the Company and Ply Gem ("Sponsor"), pursuant to which, and subject to the terms and conditions set forth therein, Ply Gem will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation. As a result of the Merger, all Ply Gem "Units", as defined in the Amended and Restated Limited Liability Company Agreement of Ply Gem (the "Ply Gem LLC Interests"), other than Ply Gem LLC Interests to be cancelled pursuant to Section 2.1(b) of the Merger Agreement, will be converted into the right to receive, in the aggregate with respect to all such interests, 58,709,067 fully paid and non-assessable shares of common stock, par value $1.00 per share, of the Company ("Company Common Stock") (such consideration, the "Aggregate Merger Consideration"). The terms and conditions of the Merger are more fully set forth in the Merger Agreement and terms used herein and not defined shall have the meanings ascribed thereto in the Merger Agreement.

The Board of Directors of the Company has asked us whether, in our opinion, the Aggregate Merger Consideration to be paid by the Company in the Merger is fair, from a financial point of view, to the Company.

In connection with rendering our opinion, we have, among other things:

(i)
reviewed certain publicly available business and financial information relating to the Company and Ply Gem that we deemed to be relevant, including publicly available research analysts' estimates;

(ii)
reviewed certain non-public historical financial statements and other non-public historical financial and operating data relating to the Company and Ply Gem prepared and furnished to us by management of the Company and Ply Gem, respectively;

(iii)
reviewed certain non-public projected financial data relating to the Company and Ply Gem, as well as certain non-public projected operating data, in each case prepared and furnished to us by management of the Company and Ply Gem, respectively, as well as projected financial and operating data relating to the Company and Ply Gem under alternative business assumptions, as prepared by management of the Company;

(iv)
reviewed certain non-public projected financial statements and other non-public financial and operating data relating to the Company and Ply Gem, including cost savings and operating synergies estimated to result from the Merger (collectively the "Synergies") and the amounts, as well as the timing and cost of realization, of such Synergies, in each case prepared and furnished to us by management of the Company and Ply Gem, respectively;

TABLE OF CONTENTS

(v)
discussed the past and current operations, financial projections and current financial condition of the Company and Ply Gem with management of the Company and Ply Gem (including their views on the risks and uncertainties of achieving such projections);

(vi)
reviewed the reported prices and the historical trading activity of the Company Common Stock and of the common stock of Ply Gem;

(vii)
compared the financial performance of the Company and Ply Gem and their stock market trading multiples with those of certain other publicly traded companies that we deemed relevant;

(viii)
compared the financial performance of the Company and Ply Gem and the valuation multiples relating to the Merger with those of certain other transactions that we deemed relevant;

(ix)
reviewed the potential pro forma impact of the Merger on the future financial performance of the combined company, based on the projected financial data relating to each of the Company and Ply Gem referred to above, including the projected operating synergies and other strategic benefits, including the amounts and timing of realization thereof, anticipated by management of the Company to be realized from the Merger;

(x)
reviewed a draft of the Merger Agreement dated July 17, 2018, which we assume is in substantially final form and from which we assume the final form will not vary in any material respect to our analysis; and

(xi)
performed such other analyses and examinations and considered such other factors that we deemed appropriate.

For purposes of our analysis and opinion, we have assumed and relied upon, without undertaking any independent verification of, the accuracy and completeness of all the information publicly available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by us, and we assume no liability therefor. With respect to the projected financial data relating to the Company and Ply Gem referred to above (including the Synergies), we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the respective managements of the Company and Ply Gem as to the future financial performance of the Company and Ply Gem and as to the Synergies, including the amounts and timing of the realization of such Synergies. We express no view as to any projected financial data relating to the Company or Ply Gem or the Synergies or the assumptions on which they are based. We have relied, at your direction, without independent verification, upon the assessments of the management of the Company or Ply Gem as to the future operational performance of the Company and Ply Gem (both on an individual and combined basis).
For purposes of rendering our opinion, we have assumed, in all respects material to our analysis, that the representations and warranties of each party contained in the Merger Agreement arc true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Merger Agreement and that all conditions to the consummation of the Merger will be satisfied without material waiver or modification thereof. We have further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the Merger will be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on the Company, Ply Gem or the consummation of the Merger or materially reduce the benefits to the holders of the Company Common Stock of the Merger.

We have not made nor assumed any responsibility for making any physical inspection, independent valuation or appraisal of the assets or liabilities of the Company or Ply Gem, nor have we been furnished with any such inspection, valuation or appraisal, nor have we evaluated the solvency or fair value of the Company or Ply Gem under any state or federal laws relating to bankruptcy, insolvency or similar matters. Our opinion is necessarily based upon information made available to us as of the date hereof and financial, economic, market and other conditions as they exist and as can be evaluated on the date hereof. It is understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

TABLE OF CONTENTS

We have not been asked to pass upon, and express no opinion with respect to, any matter other than the fairness to the Company, from a financial point of view, of the Aggregate Merger Consideration to be paid by the Company in the Merger. We do not express any view on, and our opinion does not address, the fairness of the proposed transaction to, or any consideration received in connection therewith by, the holders of any other securities, creditors or other constituencies of the Company, nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company, or any class of such persons, whether relative to the Aggregate Merger Consideration or otherwise. We have assumed that any modification to the structure of the transaction will not vary in any respect material to our analysis. Our opinion does not address the relative merits of the Merger as compared to other business or financial strategies that might be available to the Company, nor does it address the underlying business decision of the Company to engage in the Merger. In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any third party with respect to the acquisition of any or all of the Company Common Stock, any acquisition (whether involving the issuance of Company Common Stock or the payment of other consideration) or any business combination or other extraordinary transaction involving the Company. This letter, and our opinion, does not constitute a recommendation to the Board of Directors or to any other persons in respect of the Merger, including as to how any holder of shares of Company Common Stock should vote or act in respect of the Merger. We express no opinion herein as to the price at which shares of the Company will trade at any time. We are not legal, regulatory, accounting or tax experts and have assumed the accuracy and completeness of assessments by the Company and its advisors with respect to legal, regulatory, accounting and tax matters.

We will receive a fee for our services upon the rendering of this opinion. The Company has also agreed to reimburse our expenses and to indemnify us against certain liabilities arising out of our engagement. We will also be entitled to receive a success fee if the Merger is consummated. During the two year period prior to the date hereof, we, Evercore Group L.L.C., and its affiliates did not provide any financial advisory services to the Company or receive any fees or reimbursement of expenses from the Company. During the two year period prior to the date hereof, no material relationship existed between Evercore Group L.L.C. and its affiliates and Ply Gem pursuant to which compensation was received by Evercore Group L.L.C. or its affiliates as a result of such a relationship. During the two year period prior to the date hereof, Evercore Group L.L.C. and its affiliates did provide investment banking services to Sponsor or one or more of its affiliated investment funds, in connection with unrelated transactions for which Evercore Group L.L.C. and its affiliates have received compensation.

In the ordinary course of business, Evercore Group L.L.C. or its affiliates may actively trade the securities, or related derivative securities, or financial instruments of the Company, Ply Gem and their affiliates, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities or instruments.

This letter, and the opinion expressed herein is addressed to, and for the information and benefit of, the Board of Directors in connection with their evaluation of the proposed Merger. The issuance of this opinion has been approved by an Opinion Committee of Evercore Group L.L.C.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Aggregate Merger Consideration to be paid by the Company in the Merger is fair, from a financial point of view, to the Company.

Very truly yours,

EVERCORE GROUP L.L.C.

By:

Anthony J. Magro
Senior Managing Director

D-3

TABLE OF CONTENTS

Annex E

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
NCI BUILDING SYSTEMS, INC.
UNDER SECTION 245
OF THE
DELAWARE GENERAL CORPORATION LAW

We, [Donald R. Riley], President and Chief Executive Officer, and [Todd R. Moore], Corporate Secretary, of NCI Building Systems, Inc., do hereby certify under the seal of said Corporation as follows:

ARTICLE ONE

The name of the Corporation is NCI Building Systems, Inc.

ARTICLE TWO

The Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State, Dover, Delaware, on September 30, 1998.

ARTICLE THREE

This Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Section 242 and Section 245 of the Delaware General Corporation Law (the "DGCL").

ARTICLE FOUR

This Amended and Restated Certificate of Incorporation restates and integrates previous provisions and also amends the provisions of the Corporation's Restated Certificate of Incorporation.

ARTICLE FIVE

The text of the Amended and Restated Certificate of Incorporation of the Corporation, as amended hereby, is hereby amended and restated to read in full as follows:

FIRST.

The name of the Corporation is NCI Building Systems, Inc.

SECOND.

The Corporation's registered office in the State of Delaware is 1209 Orange Street, Corporation Trust Center, in the City of Wilmington, County of New Castle. The name and address of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware.

THIRD.

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

FOURTH.

Section 1. Capitalization. The Corporation is authorized to issue [201,000,000] shares of capital stock. [200,000,000] of the authorized shares shall be common stock, one cent ($0.01) par value each ("Common Stock"), and [1,000,000] of the authorized shares shall be preferred stock, one dollar ($1.00) par value each ("Preferred Stock").

TABLE OF CONTENTS

Each holder of shares of capital stock of the Corporation shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock of the Corporation held by the stockholder, unless otherwise specifically provided pursuant to this Amended and Restated Certificate of Incorporation.

Section 2. Preferred Stock.

A. The Preferred Stock may, from time to time, be divided into and issued in one or more series with each series to be so designated as to distinguish the shares thereof from the shares of all other series and classes. The shares of each series may have such powers, designations, preferences, relative rights, qualifications, limitations or restrictions as are stated herein and in one or more resolutions providing for the issue of such series adopted by the Board of Directors as provided below.

B. To the extent that this Amended and Restated Certificate of Incorporation does not fix and determine the variations in the relative rights and preferences of the Preferred Stock, both in relation to the Common Stock and as between series of Preferred Stock, the Board of Directors of the Corporation is expressly vested with the authority to divide the Preferred Stock into one or more series and, within the limitations set forth in this Amended and Restated Certificate of Incorporation, to fix and determine the relative rights and preferences of the shares of any series so established, and, with respect to each such series, to fix by one or more resolutions providing for the issue of such series, the following:

(i) The maximum number of shares to constitute such series and the distinctive designation thereof;

(ii) The annual dividend rate, if any, on the shares of such series and the date or dates from which dividends shall commence to accrue or accumulate as herein provided, and whether dividends shall be cumulative;

(iii) The price at and the terms and conditions on which the shares of such series may be redeemed, including, without limitation, the time during which shares of the series may be redeemed, the premium, if any, over and above the par value thereof and any accumulated dividends thereon that the holders of shares of such series shall be entitled to receive upon the redemption thereof, which premium may vary at different dates and may also be different with respect to shares redeemed through the operation of any retirement or sinking fund;

(iv) The liquidation preference, if any, over and above the par value thereof, and any accumulated dividends thereon, that the holders of shares of such series shall be entitled to receive upon the voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(v) Whether or not the shares of such series shall be subject to the operation of a retirement or sinking fund, and, if so, the extent and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or for other corporate purposes, and the terms and provisions relative to the operations of such retirement or sinking fund;

(vi) The terms and conditions, if any, on which the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes of capital stock of the Corporation or any series of any other class or classes, or of any other series of the same class, including the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, provided that shares of such series may not be convertible into shares of a series or class that has prior or superior rights and preferences as to dividends or distribution of assets of the Corporation upon voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(vii) The voting rights, if any, on the shares of such series; and

(viii) Any or all other preferences and relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, as shall not be inconsistent with the law or with this Article Fourth.

C. Nothing herein contained shall limit any legal right of the Corporation to purchase any shares of the Preferred Stock.

TABLE OF CONTENTS

Section 3. Common Stock.

A. Shares of Common Stock may be issued by the Corporation from time to time for such consideration as may lawfully be fixed by the Board of Directors.

B. Subject to the prior rights and preferences of the Preferred Stock set forth in this Article Fourth, or in any resolution or resolutions providing for the issuance of a series of Preferred Stock, and to the extent permitted by the laws of the State of Delaware, the holders of Common Stock shall be entitled to receive such cash dividends as may be declared and made payable by the Board of Directors.

C. After payment shall have been made in full to the holders of any series of Preferred Stock having preferred liquidation rights, upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the remaining assets and funds of the Corporation shall be distributed among the holders of the Common Stock according to their respective shares.

FIFTH.

Section 1. Number, Election and Terms of Directors; Board Action. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. The number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors. Commencing with the first shareholders' meeting after adoption of this Amended and Restated Certificate of Incorporation at which directors are elected, the directors shall be divided, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the 1993 annual meeting of shareholders, the term of office of the second class to expire at the 1994 annual meeting of shareholders and the term of office of the third class to expire at the 1995 annual meeting of shareholders, with each director to hold office until his or her successor shall been duly elected and qualified. At each annual meeting of shareholders, commencing with the 1993 annual meeting, (i) directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of shareholders after their election, with each director to hold office until his or her successor shall been duly elected and qualified, and (ii) if authorized by a resolution of the Board of Directors, directors may be elected to fill any vacancy on the Board of Directors, regardless of how such vacancy shall have been created.

Section 2. Shareholder Nomination of Director Candidates and Introduction of Business. Advance notice of shareholder nominations for the election of directors and of business to be brought by shareholders before any meeting of the shareholders of the Corporation shall be given in the manner provided in the by-laws of the Corporation.

Section 3. Newly Created Directorships and Vacancies. Subject to applicable law and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the annual meeting of shareholders at which the term of office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the numbers of authorized directors constituting the entire Board of Directors shall shorten the term of any incumbent director.

Section 4. Removal. Any director, or the entire Board of Directors, may be removed from office at any time, with or without cause, by the affirmative vote of the holder or holders of 80 percent of the outstanding voting power of the Corporation.

Section 5. Stockholders' Meetings. Meetings of stockholders of the Corporation may be called by the Chief Executive Officer, by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors, or by the Secretary of the Corporation at the written request of the holder or holders of 25 percent of the outstanding voting power of the Corporation.

TABLE OF CONTENTS

Section 6. [RESERVED]

Section 7. Amendment, Repeal or Alteration. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock required by law or this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least 80 percent of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, shall be required to alter, amend or repeal this Article Fifth.

SIXTH. Cumulative voting for the election of directors shall not be permitted.

SEVENTH. [RESERVED]

EIGHTH. The Board of Directors of the Corporation shall have the power to make, alter or repeal the By-Laws of the Corporation, subject to such restrictions upon the exercise of such powers as may be imposed by the stockholders in any by-laws adopted by them from time to time.

NINTH. It shall be a proper corporate purpose, reasonably calculated to benefit stockholders, for the Board of Directors to base the response of the Corporation to any Acquisition Proposal on the evaluation by the Board of Directors of what response is in the best interests of the Corporation, and for the Board of Directors, in evaluating what response is in the best interests of the Corporation, to consider: (i) the best interests of the stockholders and, for this purpose, the Board of Directors shall consider, among other factors, not only the consideration being offered in the Acquisition Proposal, in relation to the market price, but also in relation to the value of the Corporation in a freely negotiated transaction and in relation to the estimate by the Board of Directors of the future value of the Corporation as an independent entity; and (ii) such other factors as the Board of Directors determines to be relevant, including, among other factors, the social, legal and economic effects upon the Corporation's employees, suppliers, customers and business and the communities in which the Corporation operates. For purposes of this Article Ninth, "Acquisition Proposal" means any proposal of any person or entity (a) for a tender offer or exchange offer for any equity security of the Corporation, (b) to merge or consolidate the Corporation with another corporation, or (c) to purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation.

TENTH. [RESERVED]

ELEVENTH. No contract or other transactions between the Corporation and any other corporation, firm or individual shall be affected or invalidated by the fact that any one or more of the directors or officers of the Corporation is or are interested in or is a director or officer of such other corporation, or a member of such firm, and any director or officer, individually or jointly, may be a party to or may be interested in any contract or transaction with this Corporation, or in which this Corporation is interested, and no contract, act or transaction of this Corporation with any person or persons, firms or corporations, shall be affected or invalidated by the fact that any director or officer of this Corporation is a party to or interested in such contract, act or transaction, or in any way connected with such person or persons, firms or corporations, and each and every person who may become a director or officer of this Corporation is hereby relieved from any liability that might otherwise exist from contracting with the Corporation for the benefit of himself or any firm or corporation in which he may be in any way interested in each case so long as the director's or officer's interest or relationship is disclosed to the Board of Directors or any designated committee thereof prior to the execution of any such contract or prior to the time the Corporation becomes legally committed to, or first engages in, any such transaction.

TWELFTH. To the fullest extent permitted by Delaware statutory or decisional law, as the same exists or may hereafter be amended or interpreted, a director of the Corporation shall not be liable to the Corporation or its stockholders for any act or omission in such director's capacity as a director. Any repeal or amendment of this Article, or adoption of any other provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article, by the stockholders of the Corporation shall be prospective only and shall not adversely affect any limitation on the liability to the Corporation or its stockholders of a director of the Corporation existing at the time of such repeal, amendment or adoption of an inconsistent provision.

THIRTEENTH. Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or the by-laws (and notwithstanding the fact that a lesser percentage may be specified by law,

TABLE OF CONTENTS

this Amended and Restated Certificate of Incorporation or the by-laws), the affirmative vote of the holders of two-thirds or more of the outstanding voting stock, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, Articles Ninth, Twelfth or this Article Thirteenth of this Amended and Restated Certificate of Incorporation. Except as provided in this Article Thirteenth, this Amended and Restated Certificate of Incorporation may be amended in the manner provided by the General Corporation Law of the State of Delaware. The by-laws of the Corporation may be altered, amended or repealed, or new By-Laws adopted, only at any regular or special meeting of the Board of Directors or upon the affirmative vote of the holders of two-thirds or more of the outstanding shares entitled to vote at any regular or special meeting of stockholders, and only if such proposed alteration, amendment, repeal or adoption be contained in the notice of such regular or special meeting.

IN WITNESS WHEREOF, NCI Building Systems, Inc. has caused its corporate seal to be affixed hereunder and this Amended and Restated Certificate of Incorporation to be signed by Donald R. Riley, its President and Chief Executive Officer, and attested by Todd R. Moore Corporate Secretary as of the [•] day of [•], 2018.

TABLE OF CONTENTS

Annex F

FORM OF BYLAWS

SIXTH AMENDED AND RESTATED

BYLAWS

OF

NCI BUILDING SYSTEMS, INC.

Effective as of [•], 2018

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

ARTICLE I

OFFICES

SECTION 1. Registered Office. The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 2. Other Offices. The corporation may also have offices at such other place or places, both within and without the State of Delaware, as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. Time and Place of Meetings. All meetings of the stockholders shall be held at such time and place, either within or without the State of Delaware, as the board of directors shall designate and as shall be stated in the notice of the meeting.

SECTION 2. Annual Meetings. The annual meeting of the stockholders shall be held on such date, at such time and at such place, if any, as the board of directors of the corporation may determine. At the annual meeting, the stockholders shall elect by a plurality vote by written ballot a board of directors and transact such other business as may properly be brought before the meeting.

SECTION 3. Notice of Annual Meetings. Notice of the annual meeting, stating the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) shall be given to each stockholder of record entitled to vote at such meeting on the record date for determining stockholders entitled to notice of the meeting. Unless otherwise provided by law, the certificate of incorporation or these by-laws, the notice of meeting shall be given not less than 10 nor more than 60 days before the date of the meeting and such notice may be given personally, by mail, or in the case of stockholders who have consented to such delivery, by electronic transmission (as such term is defined in the General Corporation Law of the State of Delaware).

SECTION 4. Special Meetings. Special meetings of the stockholders for any purpose or purposes, unless otherwise prescribed by statute or by the Restated Certificate of Incorporation (the "certificate of incorporation") of the corporation, may be called at any time by the chief executive officer, by the board of directors pursuant to a resolution approved by a majority of the entire board of directors, or by the secretary of the corporation at the written request of the holders of 25% of the outstanding voting power of the corporation. Such request shall state the purpose or purposes of the proposed special meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

SECTION 5. Notice of Special Meetings. Notice of a special meeting, stating the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting), and the purpose or purposes for which the meeting is being called shall be given to each stockholder of record entitled to vote at such meeting on the record date for determining stockholders entitled to notice of the meeting. Unless otherwise provided by law, the certificate of incorporation or these by-laws, the notice of meeting shall be given not less than 10 nor more than 60 days before the date of the meeting and such notice may be given personally, by mail, or in the case of stockholders who have consented to such delivery, by electronic transmission (as such term is defined in the General Corporation Law of the State of Delaware).

SECTION 6. Quorum. The holders of a majority of the voting power of the stock entitled to be voted at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the person presiding over the meeting or the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting

TABLE OF CONTENTS

from time to time without notice (other than announcement at the meeting at which the adjournment is taken of the time and place of the adjourned meeting) until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for the determination of stockholders entitled to vote is fixed for the adjourned meeting, the board of directors shall fix as the record date for determining the stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

SECTION 7. Order of Business. The order of business at annual meetings of stockholders and, so far as practicable, at other meetings of stockholders shall be determined by the chief executive officer.

SECTION 8. New Business. At an annual meeting of stockholders, only such new business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before the annual meeting in accordance with this Section 8. Proposals for business (other than the nomination of persons for the election of director) to be considered by the stockholders may be made at any annual meeting of stockholders by any stockholder of the corporation who was a stockholder of record of the corporation at the time the notice provided for in this Section 8 is delivered to the secretary of the corporation, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 8. To be timely for an annual meeting of stockholders, a stockholder’s notice must be delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that if the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder’s notice. Disclosure of the date of the annual meeting in a filing with the Securities and Exchange Commission shall be sufficient for the purposes of this section. A stockholder’s notice to the secretary shall set forth as (i) to each matter the stockholder proposes to bring before the annual meeting a description of the proposal desired to be brought before the annual meeting (including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the by-laws of the corporation, the language of the proposed amendment) and the reasons for conducting such business at the annual meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, (ii) as to the stockholder and the beneficial owner, if any, giving the notice (a) the name and address, as they appear on the corporation’s books, of the stockholder proposing such business and any other stockholders known by such stockholder to be supporting such proposal, (b) the class and number of shares of the stock that are held of record, beneficially owned and represented by proxy on the date of such stockholder notice and on the record date for determining stockholders entitled to notice of the annual meeting (if such date shall have been made publicly available) by the stockholder and by any other stockholders known by such stockholder to be supporting such proposal on such dates, (c) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder’s notice by, or on behalf of, such stockholder and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to securities of the corporation, (d) any financial interest of the stockholder and the beneficial owner, if any, in such proposal, (e) a representation whether the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, (f) a representation whether the stockholder or the beneficial owner, if

TABLE OF CONTENTS

any, intends or is part of a group which intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal and/or (ii) otherwise to solicit proxies or votes from stockholders in support of such proposal, and (g) any other information that would be required to be filed with the Securities and Exchange Commission if, with respect to any such item of business, such stockholder or stockholders were a participant in a solicitation subject to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The foregoing notice requirements of this Section 8 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the corporation of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the corporation to solicit proxies for such annual meeting.

The board of directors may reject any stockholder proposal not made strictly in accordance with the terms of this Section 8. Alternatively, if the board of directors fails to consider the validity of any stockholder proposal, the presiding officer of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that the stockholder proposal was not made in strict accordance with the terms of this section and, if he should so determine, he shall so declare at the annual meeting and any such business or proposal not properly brought before the annual meeting shall not be acted upon at the annual meeting. This provision shall not prevent the consideration and approval or disapproval at the annual meeting such reports, no new business shall be acted upon at such annual meeting unless stated, filed and received as herein provided. Unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the corporation to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation.

Notwithstanding the foregoing provisions of this Section 8, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 8; provided, however, that any references in these by-laws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to proposals as to any other business considered pursuant to this Section 8, and compliance with this Section 8 shall be the exclusive means for a stockholder to submit proposed business.

SECTION 9. Voting.   Except as otherwise provided in the certificate of incorporation, each stockholder shall, at each meeting of the stockholders, be entitled to one vote in person or by proxy for each share of stock of the corporation held by him and registered in his name on the books of the corporation on the date fixed pursuant to the provisions of Section 5 of Article VII of these by-laws as the record date for the determination of stockholders entitled vote at such meeting. All elections for directors shall be decided by plurality vote. All other questions shall be decided by majority vote except as otherwise provided by the certificate of incorporation, the Stockholders Agreement, if then in effect, or the laws of the State of Delaware.

Shares of its own stock belonging to the corporation or to another entity, if a majority of the shares entitled to vote in the election of directors or members of the governing body of such other entity is held directly or indirectly by the corporation, shall not be entitled to vote. Any vote by stockholders of the corporation may be given at any meeting of stockholders by the stockholder entitled thereto, in person or by his proxy appointed by an instrument subscribed by such stockholder or by his attorney thereunto duly authorized and delivered to the secretary of the corporation or to the secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date, unless said proxy shall provide for a longer period. Each proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law. At all meetings of the stockholders, all matters, except where other provision is made by law, the certificate of incorporation, or these by-laws, shall be decided by the vote of a majority of the votes cast by the stockholders present in person or represented by proxy and entitled to vote on the matter, a quorum being present. Unless demanded by a stockholder of the corporation present in person or by proxy at any meeting of the stockholders and entitled to vote thereat, or so directed by the chairman of the meeting, the vote thereat on any question other than the election or

TABLE OF CONTENTS

removal of directors need not be by written ballot. Upon a demand of any such stockholder for a vote by written ballot on any question or at the direction of such chairman that a vote by written ballot be taken on any question, such vote shall be taken by written ballot. Notwithstanding the foregoing provisions of this Section 9, subject to and in accordance with applicable law, any vote by written ballot can be satisfied by a ballot submitted by electronic transmission, if so authorized by the board of directors.

SECTION 10. List of Stockholders. It shall be the duty of the secretary or other officer of the corporation who shall have charge of its stock ledger, either directly or through another officer of the corporation designated by him or through a transfer agent appointed by the board of directors, to prepare and make, at least ten days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat (provided, however, if the record date for determining the stockholders entitled to vote is less than ten days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least ten days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the corporation. If the meeting is to be held at a place then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of meeting. The list shall also be produced and kept at the time and place of said meeting during the whole time thereof, and may be inspected by any stockholder of record who shall be present thereat. Except as otherwise required by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, such list or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 11. Inspectors of Votes. The chairman may appoint two inspectors of election to act at each meeting of the stockholders, unless the board of directors shall have theretofore made such appointments. Each inspector of election shall first subscribe an oath or affirmation faithfully to execute the duties of an inspector of election at the meeting with strict impartiality and according to the best of his ability. Such inspectors of election, if any, shall take charge of the ballots, if any, at the meeting, and after the balloting on any question, shall count the ballots cast and shall make a report in writing to the secretary of the meeting of the results of the balloting. An inspector of election need not be a stockholder of the corporation, and any officer of the corporation may be an inspector of election on any question other than a vote for or against his election to any position with the corporation or on any other question in which he may be directly interested.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. Powers. The business and affairs of the corporation shall be managed by its board of directors, which shall have and may exercise all powers of the corporation and take all lawful acts as are not by statute or the certificate of incorporation directed or required to be exercised or taken by the stockholders.

SECTION 2. Number, Tenure, Qualification and Composition. The number of directors shall be fixed from time to time exclusively pursuant to a resolution adopted by directors holding a majority of the votes that can be cast by all members of the board of directors, subject to Section 6.1(a)(ix) of the Stockholders Agreement, if then in effect.

The directors shall be divided, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as is reasonably possible. At each annual meeting of stockholders, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified. No person may stand for election

TABLE OF CONTENTS

as a director if, on the date of any annual or special meeting held for the purpose of electing directors, such person shall have surpassed the age of 75; however, those directors who are then serving on the board of directors and have already reached the age of 75 as of November 16, 2017 may stand for election as a director if, on the date of any annual or special meeting held for the purpose of electing directors, such person shall not have surpassed the age of 78.

SECTION 3. Resignations. Any director may resign at any time by giving notice in writing or by electronic transmission of his resignation to the corporation, effective at the time specified therein or, if not specified, immediately upon its receipt by the corporation. Unless otherwise specified in the notice, acceptance of a resignation shall not be necessary to make it effective.

SECTION 4. Nominations. (i) Replacements. If a person is to be appointed to the board of directors because of a vacancy existing on the board, nomination shall be made only (i) in accordance, to the extent applicable, with Sections 3.1(c)(i)-(ii) of the Stockholders Agreement, if then in effect, and (ii) in all other cases, by the board of directors or by a nominating and corporate governance committee of the board of directors (the board of directors as a whole or such committee of the board being referred to herein as the “nominating committee”) pursuant to the affirmative vote of the majority of votes that can be cast by the entire membership of the nominating committee.

(ii) Nominating Committee. The nominating committee shall make nominations for the directors to be elected by the stockholders of the corporation at an annual meeting of the stockholders as provided in this section and in accordance, to the extent applicable, with the provisions of Section 3.1(c) of the Stockholders Agreement, if then in effect.

The nominating committee shall select the nominees for election as directors in accordance, to the extent applicable, with Sections 3.1(c)(i)-(ii) and 3.1(d)(ii) of the Stockholders Agreement, if then in effect. Except in the case of a nominee substituted as a result of the death, incapacity, disqualification or other inability to serve as a nominee, the nominating committee shall deliver written nominations to the secretary at least 30 days prior to the date of the annual meeting. Nominees substituted as a result of the death, incapacity, disqualification or other inability to serve as a nominee shall be delivered to the secretary as promptly as practicable. No nominees for directors except those made (A) by the nominating committee in accordance, to the extent applicable, with Sections 3.1(c)(i)-(ii) and 3.1(d)(ii) of the Stockholders Agreement, if then in effect, or (B) by stockholders, in accordance with clause (iii) of this Section 4 shall be voted upon at the annual meeting. Ballots bearing the names of all the persons nominated for election as directors at an annual meeting in accordance with the procedures set forth in this Section 4 by the nominating committee and by stockholders shall be provided for use at the annual meeting.

(iii) Stockholder Nominations. Nominations of individuals for election to the board of directors of the corporation at an annual meeting of stockholders may be made by any stockholder of the corporation entitled to vote for the election of directors at that meeting who complies with the procedures set forth in this Section 4. To be timely for any annual meeting of stockholders, a stockholder’s notice shall be delivered to, or mailed and received at, the principal executive offices of the corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that if the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder’s notice. Disclosure of the date of the annual meeting in a filing with the Securities and Exchange Commission shall be sufficient for the purposes of this section. Such stockholder’s notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the classes and number of shares of capital stock of the corporation that are owned of

TABLE OF CONTENTS

record and beneficially owned by such person on the date of such stockholder notice, (d) any other information relating to such person that is required to be disclosed in solicitations of proxies with respect to nominees for election as directors pursuant to Section 14 under the Exchange Act, and (e) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and (ii) as to the stockholder and beneficial owner, if any, giving the notice (a) the name and address, as they appear on the corporation's books, of such stockholder and any other stockholders known by such stockholder to be supporting such nominees, (b) the class and number of shares of the stock that are held of record, beneficially owned and represented by proxy on the date of such stockholder notice and on the record date of the meeting (if such date shall have been made publicly available) by the stockholder and by any other stockholders known by such stockholder to be supporting such nomination on such dates, (c) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to securities of the corporation, (d) any financial interest of the stockholder in such nomination, (e) a representation whether the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, (f) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect the nominee and/or (ii) otherwise to solicit proxies or votes from stockholders in support of such nominee, and (g) any other information that would be required to be filed with the Securities and Exchange Commission if, with respect to any such item of business, such stockholder or stockholders were a participant in a solicitation subject to the Exchange Act. The corporation may require any proposed nominee to furnish such other information as the corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the corporation.

Notwithstanding anything in the second sentence of this Section 4(iii) to the contrary, in the event that the number of directors to be elected to the board of directors of the corporation at the annual meeting is increased effective after the time period for which nominations would otherwise be due under this Section 4(iii) and there is no public announcement by the corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 4(iii) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the secretary at the principal offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (1) by or at the direction of the board of directors or any committee thereof or stockholders pursuant to Article II, Section 4 hereof, or (2) provided that the board of directors or stockholders pursuant to Article II, Section 4 hereof has determined that directors shall be elected at such meeting, by any stockholder of the corporation who is a stockholder of record at the time the notice provided for in this Section 4(iii) is delivered to the secretary of the corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 4(iii). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by this Section 4(iii) shall be delivered to the secretary at the principal offices of the corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and

TABLE OF CONTENTS

not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

Subject to compliance, to the extent applicable, with Section 3.1(c) of the Stockholders Agreement, if then in effect, the board of directors may reject any nomination by a stockholder not made in strict accordance with the terms of this Section 4. Alternatively, if the board of directors fails to consider the validity of any nominations by a stockholder, the presiding officer of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that a nomination was not made in strict accordance with the terms of this Section 4, and, if he should so determine, he shall so declare at the annual meeting and the defective nomination shall be disregarded.

(iv) No person shall be elected as a director of the corporation unless nominated in accordance with the terms set forth in this Section 4. Only persons nominated in accordance with the procedures set forth in this Section 4 shall be eligible for election as directors at an annual or special meeting.

SECTION 5. Removal.   Any director, or the entire board of directors, may be removed, with or without cause, by the affirmative vote of the holder or holders of 80% of the outstanding voting power of the corporation; provided, however, that for so long as the Stockholders Agreement is in effect and until a CD&R Investor Rights Termination Event (as defined in the Stockholders Agreement), an Unaffiliated Shareholder Director may not be removed except by the affirmative vote (including by written consent) of an Unaffiliated Shareholder or Unaffiliated Shareholders (each as defined in the Stockholders Agreement) holding 80% of all of the Unaffiliated Shareholders' Voting Interest. The vacancy in the board of directors caused by the removal of a CD&R Investor Director or Unaffiliated Shareholder Director (each as defined in the Stockholders Agreement) shall be filled in accordance, to the extent applicable, with Section 3.1(c)(ii) and Section 3.1(d)(ii) of the Stockholders Agreement, respectively, if then in effect, and otherwise by the board of directors as provided in Section 6 of this Article III.

SECTION 6. Vacancies.   Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled only in accordance, to the extent applicable, with Article III of the Stockholders Agreement, if then in effect, and in all other cases, by directors holding a majority of votes that can be cast by all members of the board of directors then in office though less than a quorum or by a sole remaining director. Any director so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which he has been elected expires and until such director's successor shall have been elected and qualified.

MEETINGS OF THE BOARD OF DIRECTORS

SECTION 7. Time and Place of Meetings.   The board of directors of the corporation may hold meetings, both regular and special, at such time and place, if any, as it determines.

SECTION 8. Annual Meetings.   The first meeting of each newly elected board of directors shall be held immediately following the annual meeting of stockholders, and no notice of such meeting to the newly elected directors shall be necessary in order legally to constitute the meeting, provided a quorum shall be present. If such meeting is not held immediately following the annual meeting of stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors.

SECTION 9. Regular Meetings — Notice.   Regular meetings of the board of directors may be held without notice.

SECTION 10. Special Meetings — Notice.   Special meetings of the board of directors may be called by the chairman of the board, the chief executive officer or directors holding a majority of the votes that can be cast by all members of the board of directors on 12 hours' notice to each director, either personally, by telephone or other means of electronic transmission; special meetings shall be called by the secretary in like manner and on like notice at the request in writing or by electronic transmission of the chairman of the

TABLE OF CONTENTS

board, the chief executive officer or directors holding a majority of the votes that can be cast by all members of the board of directors. Notice of any such meeting need not be given to any director, however, if waived by him in writing or by electronic transmission or if he shall be present at the meeting (except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened).

SECTION 11. Quorum and Manner of Acting. At all meetings of the board of directors, directors holding fifty percent (50%) or more of the total number of votes that can be cast by all of the members of the board of directors (provided that at least one-third (1/3) of the directors are present at the meeting) shall constitute a quorum for the transaction of business, and the act of the directors holding a majority of the votes that can be cast by all members of the board of directors present at any meeting at which a quorum is present shall be the act of the board of directors, except as otherwise specifically may be provided by statute, the certificate of incorporation, these by-laws or the Stockholders Agreement, if then in effect. If a quorum shall not be present at any meeting of the board of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 12. Remuneration. Unless otherwise expressly provided by resolution adopted by the board of directors, none of the directors shall, as such, receive any stated remuneration for his services; but the board of directors may at any time and from time to time by resolution provide that a specified sum shall be paid to any director of the corporation, either as his annual remuneration as such director or member of any committee of the board of directors or as remuneration for his attendance at each meeting of the board of directors or any such committee. The board of directors also likewise may provide that the corporation shall reimburse each director for any expenses paid by him on account of his attendance at any meeting. Nothing in this section shall be construed to preclude any director from serving the corporation in any other capacity and receiving remuneration therefor.

SECTION 13. Board Observer. If provided by, and in accordance with, Section 3.1(c)(iii) and Section 3.1(d)(i) of the Stockholders Agreement, if then in effect, the CD&R Investors (as defined in the Stockholders Agreement) shall have the right to designate an individual (a “Board Observer”) who may attend (without voting rights) each meeting of the board of directors or any committee thereof. Each Board Observer shall be entitled to reimbursement for its participation and related expenses as if such Board Observer were a director of the corporation.

SECTION 14. Appointment of Lead Director or Chairman of Executive Committee. Pursuant to and in accordance with Section 3.1(c)(iv) of the Stockholders Agreement, if then in effect, the CD&R Investors (as defined in the Stockholders Agreement) shall have the right, in their sole discretion, to cause one of the CD&R Investor Directors (as defined in the Stockholders Agreement) serving on the Executive Committee of the board of directors to have the title “Chairman of the Executive Committee” or to cause one of the CD&R Investor Directors serving on the board of directors to have the title “Lead Director.”

COMMITTEES OF DIRECTORS

SECTION 15. How Constituted. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The composition of each committee shall be determined in accordance with Section 3.1(d) of the Stockholders Agreement, if then in effect. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee in accordance, to the extent applicable, with the Stockholders Agreement, if then in effect. If no alternate be so appointed, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint in accordance with the Stockholders Agreement, if then in effect, another member of the board of directors to act at the meeting in the place of any such absent or disqualified member; provided that any such director so appointed meets the requirements for membership on such committee as set forth in such committee’s charter and applicable law or stock exchange listing requirements. Any committee, to the extent provided in the resolution of the board of directors and not prohibited by law or the Stockholders Agreement, if then in effect, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize

TABLE OF CONTENTS

the seal of the corporation to be affixed to all papers that may require it. At any meeting of a committee, the members of the committee holding a majority of the votes that can be cast by all members of the committee shall constitute a quorum for the transaction of business, and the act of the members holding a majority of the votes that can be cast by all members of the committee present at any meeting at which a quorum is present shall be the act of the committee.

SECTION 16. Powers. Each committee shall have such powers and responsibilities as the board of directors may from time to time authorize, subject to the certificate of incorporation and Section 6.1 and, to the extent applicable, Section 3.1(d) of the Stockholders Agreement, if then in effect. Each committee, except as otherwise provided in this Section 16, shall have and may exercise such powers of the board of directors as may be provided by resolution or resolutions of the board of directors.

SECTION 17. Minutes of Committees. Each committee shall keep regular minutes of its meetings and proceedings and report the same to the board of directors at the next meeting thereof.

GENERAL

SECTION 18. Actions Without a Meeting. Any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if the members of the board of directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or electronic transmissions are filed with the minutes of proceedings of the board of directors or any committee thereof. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

SECTION 19. Presence at Meetings by Means of Communications Equipment. Members of the board of directors, or of any committee designated by the board of directors, may participate in a meeting of the board of directors or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another. Participation in a meeting conducted pursuant to this section shall constitute presence in person at the meeting.

ARTICLE IV

NOTICES

SECTION 1. Type of Notice. Except as otherwise specifically provided herein or required by law, all notices required to be given pursuant to these by-laws shall be in writing or by electronic transmission and may in every instance be effectively given by hand delivery (including use of a courier service), by depositing such notice in the mail, postage prepaid, or by sending such notice by electronic transmission or facsimile. Any such notice shall be addressed to the person to whom notice is to be given at such person's address as it appears on the records of the corporation. The notice shall be deemed given (i) in the case of hand delivery, when received by the person to whom notice is to be given or by any person accepting such notice on behalf of such person, (ii) in the case of delivery by mail, when deposited in the mail, and (iii) in the case of delivery via electronic transmission, in accordance with applicable law.

SECTION 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of any applicable statute, the certificate of incorporation or these by-laws, a waiver thereof in writing or by electronic transmission, given by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto, and transmission of a waiver of notice by a director or stockholder by mail, personal delivery electronic transmission or other form of recorded communication may constitute such a waiver.

SECTION 3. Authorized Notices. Unless otherwise specified herein, the secretary or such other person or persons as the chief executive officer designates shall be authorized to give notices for the corporation.

ARTICLE V

OFFICERS

SECTION 1. Description. The elected officers of the corporation may include a chief executive officer, a chief operating officer, a president, one or more vice presidents, with or without such descriptive

TABLE OF CONTENTS

titles as the board of directors shall deem appropriate, a secretary and a treasurer and, if the board of directors so elects, a chairman of the board (who shall be a director) and a controller. The board of directors by resolution may also appoint one or more assistant secretaries, assistant treasurers, assistant controllers and such other officers and agents as from time to time may appear to be necessary or advisable in the conduct of the affairs of the corporation. Any two or more offices may be held by the same person. Unless otherwise provided in a resolution of the board of directors or a written or electronically transmitted directive of the chief executive officer, each of the officers of the corporation shall have general authority to agree upon and execute all bonds, evidences of indebtedness, deeds, leases, contracts, and other obligations in the name of the corporation and affix the corporate seal thereto.

SECTION 2. Election. The board of directors at its first meeting after each annual meeting of stockholders shall elect and appoint the officers to fill the positions designated in Section 1 of this Article V.

SECTION 3. Salaries. The board of directors shall fix all salaries of all elected officers of the corporation.

SECTION 4. Term. An officer of the corporation shall hold office until he or she resigns or his or her successor is chosen and qualified or until his or her earlier removal. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the whole board of directors. The board of directors shall fill any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise.

SECTION 5. Duties of the Chairman. The chairman of the board shall preside when present at all meetings of stockholders and of the board of directors. He or she shall advise and counsel the chief executive officer and chief financial officer and other officers of the corporation, and shall exercise such powers and perform such duties as shall be assigned to or required of him or her from time to time by the board of directors.

SECTION 6. Duties of the Chief Executive Officer. The chief executive officer shall have responsibility for and general supervision of the affairs of the corporation and shall have general and active executive charge, management, and control of all the business, operations, and properties of the corporation with all such powers as may be reasonably incident to such responsibilities, subject to the provisions of these by-laws and the control of the board of directors. Unless a chairman of the board shall have been elected, the chief executive officer shall preside, when present, at all meetings of stockholders and at all meetings of the board of directors (if the chief executive officer is a director). The chief executive officer shall be the ranking officer of the corporation, to whom all other officers shall be subordinate, and he or she shall be responsible for and see that all orders and resolutions of the stockholders and the board of directors are carried into effect. The chief executive officer shall have the power and authority to cause the employment or appointment of such employees and agents of the corporation as the proper conduct of operations may require; to terminate, remove or suspend any employee or agent who shall have been employed or appointed under his or her authority or under authority of an officer subordinate to him or her; to suspend for cause any officer subordinate to the chief executive officer, pending final action by the board of directors or such other authority as shall have elected or appointed such officer; to delegate any of the foregoing powers and authority to any other officer or agent of the corporation; and, in general, to exercise all the powers and authority usually appertaining to the chief executive officer of a corporation (except as otherwise provided in these by-laws or in resolutions or written or electronically transmitted directives of the board of directors), as may be designated in accordance with these by-laws, and as from time to time may be assigned to him or her by the board of directors. In the absence of the chief executive officer, his or her duties shall be performed and his powers may be exercised by the chief operating officer, if different from the chief executive officer, by the president in the absence of the chief operating officer, or otherwise by such other officer as the chief executive officer shall designate in writing or by electronic transmission or (failing such designation) by the executive committee (if any has been appointed) or such officer as it may designate in writing or by electronic transmission, subject, in either case, to review and superseding action by the board of directors.

SECTION 7. Duties of the Chief Operating Officer. The chief operating officer shall have general, active supervision of and responsibility for the business operations of the corporation, subject to the review and approval of the chief executive officer. The chief operating officer shall have the same authority and

TABLE OF CONTENTS

powers with respect to the conduct of the business operations of the corporation as has the chief executive officer with respect to its affairs generally. As such, he or she shall have all such powers and authority as may be reasonably incident to such responsibilities and as usually appertain to the chief operating officer of a corporation (except as otherwise provided in these by-laws or in resolutions or written or electronically transmitted directives of the board of directors or chief executive officer), as well as other powers and authority as may be designated in accordance with these by-laws and as from time to time may be assigned to him by the board of directors or the chief executive officer. If he or she is also a director of the corporation, he or she shall preside, in the absence of any other person designated by these by-laws, at all meetings of the board of directors and stockholders. The chief operating officer shall report to the chief executive officer and otherwise shall be the ranking officer of the corporation to whom all other officers shall be subordinate. In the absence of a chief operating officer, his or her duties shall be performed by the president of the corporation.

SECTION 8. Duties of the President. The president shall be the chief executive officer and/or the chief operating officer of the corporation, unless a chief executive officer and/or a chief operating officer is otherwise elected. The president shall have all powers and authority as usually appertain to the president of a corporation (except as otherwise provided in these by-laws or in resolutions or written or electronically transmitted directives of the board of directors or chief executive officer), as well as other powers and authority as may be designated in accordance with these by-laws and as from time to time may be assigned to him or her by the board of directors or the chief executive officer. He or she shall have the power and authority to sign stock certificates.

SECTION 9. Duties of Vice President — Finance. There may be designated a vice president — finance, who, if so designated, shall be the chief financial officer of the corporation and may be the chief accounting officer of the corporation if so designated by the board of directors. He or she shall have active control of and responsibility for all matters pertaining to the financial affairs of the corporation and its subsidiaries. His or her authority shall include the authorities of the treasurer and controller. He or she shall be responsible for approval of all filings with governmental agencies. He or she shall have the authority to execute and deliver bonds, deeds, contracts and stock certificates of and for the corporation, and to affix the corporate seal thereto by handwritten, facsimile or electronically transmitted signature and all
other powers customarily appertaining to his office, except to the extent otherwise limited or enlarged. He or she shall report to the president and the board of directors of the corporation at their request on all financial matters of the corporation.

SECTION 10. Duties of Vice Presidents and Assistant Vice Presidents. In the absence of the chief executive officer or chief financial officer or in the event of his or her inability or refusal to act, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated by the board, or in the absence of any designation, in the order of their election) shall perform the duties of the president and, when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice presidents shall perform such other duties and have such other powers as the board of directors or the president may from time to time prescribe.

SECTION 11. Duties of Secretary and Assistant Secretaries. The secretary or an assistant secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all proceedings of the meetings of the stockholders of the corporation, and of the board of directors in a book to be kept for that purpose, and shall perform like duties for the committees of the board of directors when required. The secretary shall be under the supervision of the chief executive officer and shall perform such other duties as may be prescribed by the chief executive officer. The secretary shall have charge of the seal of the corporation and have authority to affix the seal to any instrument requiring it. When so affixed, the seal shall be attested by the signature of the secretary or treasurer or an assistant secretary or assistant treasurer, which may be a facsimile. The secretary shall keep and account for all books, documents, papers and records of the corporation except those for which some other officer or agent is properly accountable. The secretary shall have authority to sign stock certificates, and shall generally perform all the duties usually appertaining to the office of the secretary of a corporation.

TABLE OF CONTENTS

Assistant secretaries in the order of their seniority, unless otherwise determined by the board of directors, shall assist the secretary, and in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

SECTION 12. Duties of Treasurer and Assistant Treasurers. The treasurer shall have the responsibility for and custody over all assets of the corporation, and the responsibility for handling of the liabilities of the corporation. He or she shall cause proper entries of all receipts and disbursements of the corporation to be recorded in its books of account. He or she shall have the responsibility for all matters pertaining to taxation and insurance. He or she shall have the authority to endorse for deposit or collection, or otherwise, all commercial paper payable to the corporation, and to give proper receipts or discharges for all payments to the corporation. He or she shall be responsible for all terms of credit granted by the corporation and for the collection of all its accounts. He or she shall have the authority to execute and deliver bonds, deeds, contracts and stock certificates of and for the corporation, and to affix the corporate seal thereto by handwritten, facsimile or electronically transmitted signature and all other powers customarily appertaining to his or her office, except to the extent otherwise limited or enlarged. The treasurer shall be under the supervision of the vice president — finance and he or she shall perform such other duties as may be prescribed to him or her by the vice president — finance, if one be designated.

Assistant treasurers, in the order of their seniority shall assist the treasurer; and in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer.

SECTION 13. Duties of Controller and Assistant Controllers. The controller shall be responsible for all matters pertaining to the accounts of the corporation, its subsidiaries and divisions, with the supervision of the books of account, their installation, arrangement and classification. If so designated by the board of directors, the controller shall be the chief accounting officer of the corporation. The controller shall maintain adequate records of all assets, liabilities and transactions; see that an adequate system of internal audit thereof is currently and regularly maintained; coordinate the efforts of the corporation's independent public accountants in its external audit program; receive, review and consolidate all operating and financial statements of the corporation and its various departments and subsidiaries; and prepare financial statements, reports and analyses. The controller shall have supervision of the accounting practices of the corporation and of each subsidiary and division of the corporation, and shall prescribe the duties and powers of the chief accounting personnel of the subsidiaries and divisions. The controller shall cause to be maintained an adequate system of financial control through a program of budgets, financial planning and interpretive reports. The controller shall initiate and enforce accounting measures and procedures whereby the business of the corporation and its subsidiaries and divisions shall be conducted with the maximum efficiency and economy. The controller shall have all other powers customarily appertaining to the office of controller, except to the extent otherwise limited or enlarged. The controller shall be under the supervision of the vice president — finance, if one be designated.

The assistant controllers, in the order of their seniority, shall assist the controller, and if the controller is unavailable, perform the duties and exercise the powers of the controller.

ARTICLE VI
INDEMNIFICATION

SECTION 1. Right to Indemnification. The corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the corporation or, while a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in

TABLE OF CONTENTS

Section 3, the corporation shall be required to indemnify a Covered Person in connection with a proceeding (or part thereof) commenced by such Covered Person only if the commencement of such proceeding (or part thereof) by the Covered Person was authorized in the specific case by the board of directors of the corporation.

SECTION 2. Prepayment of Expenses. The corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any proceeding in advance of its final disposition; provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article VI or otherwise.

SECTION 3. Claims. If a claim for indemnification (following the final disposition of such proceeding) or advancement of expenses under this Article VI is not paid in full within thirty days after a written claim therefor by the Covered Person has been received by the corporation, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

SECTION 4. Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article VI shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 5. Other Sources. The corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person collects as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

SECTION 6. Amendment or Repeal. Any repeal or modification of the provisions of this Article VI shall not adversely affect any right or protection hereunder of any Covered Person in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to the time of such repeal or modification.

SECTION 7. Other Indemnification and Advancement of Expenses. This Article VI shall not limit the right of the corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

ARTICLE VII

CAPITAL STOCK

SECTION 1. Certificates. The board of directors may provide by resolution that some or all of any or all classes or series of its stock will be uncertificated shares. However, any such resolution will not apply to shares represented by a certificate until that certificate is surrendered to the corporation. Every holder of stock in the corporation represented by certificates shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman of the board or vice-chairman of the board, the president or a vice president and by the secretary or an assistant secretary or the treasurer or assistant treasurer of the corporation, certifying the number of shares owned by him in the corporation. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, option or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided that, except as otherwise provided in Section 202 of the General Corporation Law of the State of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or

TABLE OF CONTENTS

series thereof and the qualifications, limitations or restrictions of such preferences or rights. Within a reasonable time after the issuance or transfer of shares of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth on the certificate by the General Corporation Law of the State of Delaware.

SECTION 2. Facsimile Signatures. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 3. Replacement of Lost, Stolen or Destroyed Certificates. The board of directors may direct a new certificate or certificates of stock or uncertificated shares to be issued in place of any certificate or certificates of stock theretofore issued by the corporation and alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates or uncertificated shares, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed, or the issuance of such new certificate of stock or uncertificated shares.

SECTION 4. Transfers. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation, subject to any proper restrictions on transfer, to issue a new certificate or uncertificated shares to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares will be cancelled and issuance of new equivalent uncertificated shares or certificated shares will be made to the person entitled thereto and the transaction will be recorded upon the books of the corporation.

SECTION 5. Record Date. In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the board of directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

SECTION 6. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, to the fullest extent permitted by the laws of the State of Delaware.

TABLE OF CONTENTS

ARTICLE VIII

GENERAL PROVISIONS

SECTION 1. Dividends. Dividends upon the capital stock of the corporation, if any, may be declared by the board of directors, pursuant to applicable law and subject to Section 6.1 of the Stockholders Agreement, if then in effect, the certificate of incorporation and these by-laws. Dividends may be paid in cash, in property or in shares of the capital stock or other securities.

SECTION 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the board of directors from time to time, in their absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the board of directors shall think conducive to the interest of the corporation, and the board of directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 3. Annual Statement. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

SECTION 4. Checks. All checks or demands for money and promissory notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time prescribe.

SECTION 5. Fiscal Year. The fiscal year of the corporation shall be determined by the board of directors.

SECTION 6. Corporate Seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization, and the word "Delaware." The seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced or otherwise.

SECTION 7. Certificate of Incorporation. These by-laws are subject to the terms of the certificate of incorporation, as amended, of the corporation.

SECTION 8. Form of Records. Any records maintained by the corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept in electronic form or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

SECTION 9. Stockholders Agreement. The corporation shall be bound by and act in accordance with the provisions of the Stockholders Agreement for so long as it is in effect. If any provision of these by-laws of the corporation shall conflict with any provision of the Stockholders Agreement, if then in effect, the applicable provision of the Stockholders Agreement shall control, provided that such provision is not contrary to applicable law or otherwise unenforceable.

ARTICLE IX

AMENDMENTS

The by-laws may be altered, amended or repealed, or new by-laws adopted, only in accordance with the certificate of incorporation of the corporation and any other requirements specified in these by-laws or by applicable law.

TABLE OF CONTENTS

ARTICLE X

EXCLUSIVE FORUM FOR ADJUDICATION OF DISPUTES

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim for or based on breach of a fiduciary duty owed by any current or former director or officer or other employee of the Corporation to the Corporation or to the Corporation's stockholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, (c) any action asserting a claim against the Corporation or any current or former director or officer or other employee of the Corporation arising pursuant to any provision of the Delaware General Corporation Law or the Amended and Restated Certificate of Incorporation or these Amended and Restated Bylaws (each as may be amended from time to time), (d) any action asserting a claim relating to or involving the Corporation that is governed by the internal affairs doctrine, or (e) any action asserting an "internal corporate claim" as that term is defined in Section 115 of the Delaware General Corporation Law shall be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware).

TABLE OF CONTENTS

CERTIFICATION

I, [Todd R. Moore], Secretary of NCI Building Systems, Inc., hereby certify that the foregoing is a true, accurate and complete copy of the By-Laws of NCI Building Systems, Inc., as amended and restated by its Board of Directors as of [•], 2018.

/s/ [Todd R. Moore]

Todd R. Moore, Corporate Secretary]