

PGT, Inc.  
Form 10-K  
March 15, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

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

**For the fiscal year ended December 31, 2011**

**OR**

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

**For the transition period from            to**

**Commission File Number: 000-52059**

**PGT, Inc.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of incorporation or organization)**

**20-0634715**  
**(I.R.S. Employer Identification No.)**

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1070 Technology Drive

North Venice, Florida  
(Address of principal executive offices)

34275  
(Zip Code)

Registrant's telephone number, including area code:

(941) 480-1600

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

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

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

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

None

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of July 1, 2011 was approximately \$34,070,286 based on the closing price per share on that date of \$1.77 as reported on the NASDAQ Global Market.

The number of shares of the registrant's common stock, par value \$0.01, outstanding as of March 9, 2012 was 53,670,135.

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**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's Proxy Statement for the Company's 2012 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

**PGT, INC.**

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**PART I**

**Item 1. BUSINESS**  
**GENERAL DEVELOPMENT OF BUSINESS**

**Description of the Company**

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

The geographic regions in which we currently operate include the Southeastern U.S., Gulf Coast, Coastal mid-Atlantic, the Caribbean, Central America, and Canada. We distribute our products through multiple channels, including over 1,300 window distributors, building supply distributors, window replacement dealers and enclosure contractors. This broad distribution network provides us with the flexibility to meet demand as it shifts between the residential new construction and repair and remodeling end markets.

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

On December 3, 2010, we announced that our former Salisbury, North Carolina operations would be transferred to Venice, Florida to consolidate our window and door production at our Florida manufacturing facilities. This consolidation was completed during the second quarter of 2011. We believe transitioning to a centralized location has optimized our manufacturing capacity and logistics, positioning us to be a stronger company and focus on growing our share within our core wind-borne debris market areas.

In January 2011, we accepted an offer to sell our former Lexington, North Carolina facility. The sale of this building closed in the second quarter of 2011 at approximately the net book value recorded at that time.

**History**

Our subsidiary, PGT Industries, Inc., a Florida Corporation, was founded in 1980 as Vinyl Tech, Inc. The PGT brand was established in 1987, and we introduced our WinGuard branded product line in the aftermath of Hurricane Andrew in 1992.

PGT, Inc. is a Delaware corporation formed on December 16, 2003, as JLL Window Holdings, Inc. by an affiliate of JLL Partners, our largest stockholder, in connection with its acquisition of PGT Holding Company on January 29, 2004. On February 15, 2006, we changed our name to PGT, Inc., and on June 27, 2006 we became a publicly listed company on the NASDAQ National Market under the symbol PGTI .

**FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS**

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

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### **NARRATIVE DESCRIPTION OF BUSINESS**

#### **Our Products**

We manufacture complete lines of premium, fully customizable aluminum and vinyl windows and doors and porch enclosure products targeting both the residential new construction and repair and remodeling end markets. All of our products carry the PGT brand, and our consumer-oriented products carry an additional, trademarked product name, including WinGuard, Eze-Breeze, SpectraGuard, and, introduced in late 2009, PremierVue.

#### ***Window and door products***

*WinGuard.* WinGuard is an impact-resistant product line and combines heavy-duty aluminum or vinyl frames with laminated glass to provide protection from hurricane-force winds and wind-borne debris that satisfy increasingly stringent building codes and primarily target hurricane-prone coastal states in the U.S., as well as the Caribbean and Central America. Combining the impact resistance of WinGuard with our insulating glass creates energy efficient windows that can significantly reduce cooling and heating costs.

*PremierVue.* Introduced in the Fall of 2009, PremierVue is a complete line of impact-resistant vinyl window and door products that are tailored for the mid- to high-end of the replacement market, primarily targeting single and multi-family homes and low to mid-rise condominiums in Florida and other coastal regions of the Southeastern U.S. Combining structural strength and energy efficiency, these products are designed for flexibility in today's market, offering both laminated and laminated-insulated impact-resistant glass options. PremierVue's large test sizes and high design pressures, combined with vinyl's inherent thermal efficiency, make these products truly unique in the window and door industry.

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

*Vinyl.* We offer a complete line of fully customizable, non-impact-resistant vinyl frame windows and doors where the energy-efficient characteristics of vinyl frames are critical. In early 2008, we introduced a new line of energy efficient vinyl windows for new construction with wood-like aesthetics, such as brick-mould frames, wood-like trim detail and simulated divided lights. In early 2009, we added a line of vinyl replacement windows with the same superior energy performance and wood-like detail and branded the product lines as SpectraGuard. These Energy-Star rated windows also met the qualifications for the 30/30 federal tax credit. In 2010 we introduced a SpectraGuard vinyl window line with the same Energy-Star ratings and wood-like aesthetics designed and targeted to meet the needs of the Florida market.

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

*Eze-Breeze.* Eze-Breeze non-glass vertical and horizontal sliding panels for porch enclosures are vinyl-glazed, aluminum-framed products used for enclosing screened-in porches that provide protection from inclement weather. In 2011, we introduced our new cabana door to complement this line of products.

#### **Sales and Marketing**

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

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

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### **Our Customers**

We have a highly diversified customer base that is comprised of over 1,300 window distributors, building supply distributors, window replacement dealers and enclosure contractors. Our largest customer accounts for approximately 2.0% of net sales and our top ten customers account for approximately 16.3% of net sales. Our sales are comprised of residential new construction and home repair and remodeling end markets, which represented approximately 24% and 76% of our sales, respectively, during 2011. This compares to 25% and 75% in 2010.

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

### **Materials and Supplier Relationships**

Our primary manufacturing materials include aluminum and vinyl extrusions, glass, ionoplast, and polyvinyl butyral. Although in many instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. All of our materials are typically readily available from other sources. Aluminum and vinyl extrusions accounted for approximately 43.5% of our material purchases during fiscal year 2011. Sheet glass, which is sourced from two major national suppliers, accounted for approximately 18.7% of our material purchases during fiscal year 2011. Sheet glass that we purchase comes in various sizes, tints, and thermal properties. Polyvinyl butyral and ionoplast, which are both used as inner layer in laminated glass, accounted for approximately 17.1% of our material purchases during fiscal year 2011.

### **Backlog**

As of December 31, 2011, our backlog was \$7.8 million compared to \$8.2 million at January 1, 2011. Our backlog consists of orders that we have received from customers that have not yet shipped, and we expect that substantially all of our current backlog will be recognized as sales in the first quarter of 2012.

### **Intellectual Property**

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

### **Manufacturing**

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

Glass is transported to our window and door assembly lines in a make-to-order sequence where it is combined with an aluminum or vinyl frame. These frames are also fabricated to order, as we start with a piece of extruded material that we cut and shape into a frame that fits our customers' specifications. After an order has been completed, it is immediately staged for delivery and shipped on our trucking fleet within an average of 48 hours of completion.

### **Competition**

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

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

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





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The principal methods of competition in the window and door industry are the development of long-term relationships with window and door dealers and distributors, and the retention of customers by delivering a full range of high-quality products on time while offering competitive pricing and flexibility in transaction processing. Trade professionals such as contractors, homebuilders, architects and engineers also engage in direct interaction and look to the manufacturer for training and education of product and code. Although some of our competitors may have greater geographic scope and access to greater resources and economies of scale than do we, our leading position in the U.S. impact-resistant window and door market and the award winning designs and high quality of our products position us well to meet the needs of our customers.

**Environmental Considerations**

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

**Employees**

As of February 17, 2012, we employed approximately 1,020 people, none of whom were represented by a union. We believe that we have good relations with our employees.

**FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS**

Our domestic and international net sales for each of the three years ended December 31, 2011, January 1, 2011 and January 2, 2010 are as follows (in thousands):

	December 31, 2011	Year Ended January 1, 2011	January 2, 2010
Domestic	\$ 160.0	\$ 167.8	\$ 156.5
International	7.3	7.9	9.5
	\$ 167.3	\$ 175.7	\$ 166.0

**AVAILABLE INFORMATION**

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

**Item 1A. RISK FACTORS**

***We are subject to regional and national economic conditions.*** The unprecedented decline in the economy in Florida and throughout the United States could continue to negatively affect demand for our products which has had, and which could continue to have, an adverse impact on our sales and results of operations.

***The new home construction and repair and remodeling markets have declined.*** Beginning in the second half of 2006, we saw a significant slowdown in the Florida housing market. This slowdown continued through 2009. Like many building material suppliers in the industry, we have been and will continue to be faced with a challenging operating environment due to this decline in the housing market. Specifically, new single family housing permits in Florida remained at historically low levels in 2011. Beginning in the third quarter of 2008, we began to see a decrease in consumer spending for repair and remodeling projects as credit tightened and many homeowners lost substantial equity in their homes. The resulting decline in new home and repair and remodeling construction levels by our customers has decreased demand for our products which has had, and which could continue to have, an adverse impact on our sales and results of operations.



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***Current economic and credit market conditions have increased the risk that we may not collect a greater percentage of our receivables.***

Economic and credit conditions have negatively impacted our bad debt expense which has adversely impacted our results of operations. If these conditions persist, our results of operations may continue to be adversely impacted by bad debts. We monitor our customers' credit profiles carefully and make changes in our terms when necessary in response to this heightened risk.

***We are subject to fluctuations in the prices of our raw materials.*** We experience significant fluctuations in the cost of our raw materials, including aluminum extrusion, polyvinyl butyral and glass. A variety of factors over which we have no control, including global demand for aluminum, fluctuations in oil prices, speculation in commodities futures and the creation of new laminates or other products based on new technologies impact the cost of raw materials we purchase for the manufacture of our products. While we attempt to minimize our risk from severe price fluctuations by entering into aluminum forward contracts to hedge these fluctuations in the purchase price of aluminum extrusion we use in production, substantial, prolonged upward trends in aluminum prices could significantly increase the cost of the unhedged portions of our aluminum needs and have an adverse impact on our results of operations. We anticipate that these fluctuations will continue in the future. While we have entered into a one-year supply agreement through December 2012 with a major producer of ionoplast inter layer that we believe provides us with a reliable, single source for ionoplast with stable pricing on favorable terms, if one or both parties to the agreement do not satisfy the terms of the agreement, it may be terminated which could result in our inability to obtain ionoplast on commercially reasonable terms having an adverse impact on our results of operations. While historically we have to some extent been able to pass on significant cost increases to our customers, our results between periods may be negatively impacted by a delay between the cost increases and price increases in our products.

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

***Transportation costs represent a significant part of our cost structure.*** Fuel prices began to increase in late 2010, stabilized in 2011, and have shown signs of rising again in the first quarter of 2012. In the present and future, a rapid and prolonged increase in fuel prices may significantly increase our costs and have an adverse impact on our results of operations.

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

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

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

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***Our industry is competitive, and competition may increase as our markets grow or as more states adopt or enforce building codes that require impact-resistant products.*** The window and door industry is highly competitive. We face significant competition from numerous small, regional producers, as well as certain national producers. Any of these competitors may (i) foresee the course of market development more accurately than do we, (ii) develop products that are superior to our products, (iii) have the ability to produce similar products at a lower cost, or (iv) adapt more quickly to new technologies or evolving customer requirements than do we. Additionally, new competitors may enter our industry, and larger existing competitors may increase their efforts and devote substantially more resources to expand their presence in the impact-resistant market. If we are unable to compete effectively, demand for our products may decline.

In addition, while we are skilled at creating finished impact-resistant and other window and door products, the materials we use can be purchased by any existing or potential competitor. New competitors can enter our industry, and existing competitors may increase their efforts in the impact-resistant market. Furthermore, if the market for impact-resistant windows and doors continues to expand, larger competitors could enter or expand their presence in the market and may be able to compete more effectively. Finally, we may not be able to maintain our costs at a level for us to compete effectively. If we are unable to compete effectively, demand for our products and our profitability may decline.

***Our business is currently concentrated in one state.*** Our business is concentrated geographically in Florida. In fiscal year 2011, approximately 85% of our sales were generated in Florida, a state in which new single family housing permits remain at historically low levels. Our consolidation of operations into a single manufacturing location to optimize our manufacturing capacity and logistics was based, in part, on our belief that a focused approach to growing our share within our core wind-borne debris markets in Florida, from the Gulf Coast to the mid-Atlantic, and certain international markets, will maximize value and return. However, such a focus further concentrates our business, and a continued or prolonged decline in the economy of the state of Florida or of certain coastal regions, a change in state and local building code requirements for hurricane protection, or any other adverse condition in the state or certain coastal regions, could cause a decline in the demand for our products, which could have an adverse impact on our sales and results of operations.

***Our level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from meeting our obligations under our debt instruments.*** As of December 31, 2011, our indebtedness under our term loan was \$45.5 million. All of our debt was at a variable interest rate. In the event that interest rates rise, our interest expense would increase. Based on our debt outstanding at December 31, 2011, of \$45.5 million, of which \$24.0 million is covered by our interest rate cap, a 1% increase in interest rates above our interest rate floor established in the Credit Agreement would result in approximately \$0.2 million of additional interest expense annually.

The level of our debt could have certain consequences, including:

increasing our vulnerability to general economic and industry conditions;

requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities;

exposing us to the risk of increased interest rates because certain of our borrowings, including borrowings under our credit facilities, will be at variable rates of interest;

limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions, and general corporate or other purposes; and

limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who have less debt.

***We may incur additional indebtedness.*** We may incur additional indebtedness under our credit facilities, which provide for up to \$15 million of revolving credit borrowings. In addition, we and our subsidiary may be able to incur \$25 million additional indebtedness in the future. If new debt is added to our current debt levels, the related risks that we now face could intensify.

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

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

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

***We may be adversely affected by any disruptions to our manufacturing facilities or disruptions to our customer, supplier, or employee base.*** Any disruption to our facilities resulting from hurricanes and other weather-related events, fire, an act of terrorism, or any other cause could damage a significant portion of our inventory, affect our distribution of products, and materially impair our ability to distribute our products to customers. We could incur significantly higher costs and longer lead times associated with distributing our products to our customers during the time that it takes for us to reopen or replace a damaged facility. In addition, if there are disruptions to our customer and supplier base or to our employees caused by hurricanes, our business could be temporarily adversely affected by higher costs for materials, increased shipping and storage costs, increased labor costs, increased absentee rates, and scheduling issues. Furthermore, some of our direct and indirect suppliers have unionized work forces, and strikes, work stoppages, or slowdowns experienced by these suppliers could result in slowdowns or closures of their facilities. Any interruption in the production or delivery of our supplies could reduce sales of our products and increase our costs.

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

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

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

***We are exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act of 2002.*** We are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. While we have concluded that at December 31, 2011, we have no material weaknesses in our internal controls over financial reporting, we cannot assure you that we will not have a material weakness in the future. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. If we fail to maintain a system of internal controls over financial reporting that meets the requirements of Section 404, we might be subject to sanctions or investigation by regulatory authorities such as the SEC or by the NASDAQ Stock Market LLC. Additionally, failure to comply with Section 404 or the report by us of a material weakness may cause investors to lose confidence in our financial statements and our stock price may be adversely affected. If we fail to remedy any material weakness, our financial statements may be inaccurate, we may not have access to the capital markets, and our stock price may be adversely affected.



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***The controlling position of an affiliate of JLL Partners limits the ability of our minority stockholders to influence corporate matters.*** An affiliate of JLL Partners owned 59.8% of our outstanding common stock as of December 31, 2011. Accordingly, such affiliate of JLL Partners has significant influence over our management and affairs and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership may have the effect of delaying or preventing a transaction such as a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if such a transaction or change of control would benefit minority stockholders. In addition, this concentrated control limits the ability of our minority stockholders to influence corporate matters, and such affiliate of JLL Partners, as a controlling stockholder, could approve certain actions, including a going-private transaction, without approval of minority stockholders, subject to obtaining any required approval of our board of directors for such transaction. As a result, the market price of our common stock could be adversely affected.

***The controlling position of an affiliate of JLL Partners exempts us from certain Nasdaq corporate governance requirements.*** Although we have satisfied all applicable Nasdaq corporate governance rules, for so long as an affiliate of JLL Partners continues to own more than 50% of our outstanding shares, we will continue to avail ourselves of the Nasdaq Listing Rule 5615(c) controlled company exemption that applies to companies in which more than 50% of the stockholder voting power is held by an individual, a group, or another company. This rule grants us an exemption from the requirements that we have a majority of independent directors on our board of directors and that we have independent directors determine the compensation of executive officers and the selection of nominees to the board of directors. However, we intend to comply with such requirements in the event that such affiliate of JLL Partners ownership falls to or below 50%.

***Our directors and officers who are affiliated with JLL Partners do not have any obligation to report corporate opportunities to us.*** Because some individuals may serve as our directors or officers and as directors, officers, partners, members, managers, or employees of JLL Partners or its affiliates or investment funds and because such affiliates or investment funds may engage in similar lines of business to those in which we engage, our amended and restated certificate of incorporation allocates corporate opportunities between us and JLL Partners and its affiliates and investment funds. Specifically, for so long as JLL Partners and its affiliates and investment funds own at least 15% of our shares of common stock, none of JLL Partners, nor any of its affiliates or investment funds, or their respective directors, officers, partners, members, managers, or employees has any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as do we. In addition, if any of them acquires knowledge of a potential transaction that may be a corporate opportunity for us and for JLL Partners or its affiliates or investment funds, subject to certain exceptions, we will not have any expectancy in such corporate opportunity, and they will not have any obligation to communicate such opportunity to us.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.



**Table of Contents****Item 2. PROPERTIES**

We have the following properties as of December 31, 2011:

	Manufacturing	Support (in square feet)	Storage
<b>Owned:</b>			
Main Plant and Corporate Office, North Venice, FL	348,000	15,000	
Glass tempering and laminating, North Venice, FL	80,000		
Insulated Glass, North Venice, FL	42,000		
PGT Wellness Center, North Venice, FL		3,600	
Manufacturing Facility Salisbury, NC	379,000	14,000	
<b>Leased:</b>			
James Street Storage, Venice, FL	15,000		
Endeavor Court, Nokomis, FL		2,300	
Endeavor Court, Nokomis, FL		6,100	
Fleet Maintenance Building, North Venice, FL		16,000	
Sarasota Warehouse, Bradenton, FL			48,000
	864,000	57,000	48,000

During 2011, we consolidated our Salisbury, North Carolina facility into our Florida facility. At this time there are no operations at the Salisbury, North Carolina facility, however we are not actively marketing the building for sale.

Our leases listed above expire between January 2014 and January 2016. Each of the leases provides for a fixed annual rent. The leases require us to pay taxes, insurance and common area maintenance expenses associated with the properties.

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

**Item 3. LEGAL PROCEEDINGS**

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

**Item 4. MINE SAFETY DISCLOSURES**

Not Applicable

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

Our Common Stock is traded on the NASDAQ Global Market<sup>®</sup> under the symbol *PGTI*. On March 9, 2012, the closing price of our Common Stock as reported on the NASDAQ Global Market was \$1.74. The approximate number of stockholders of record of our Common Stock on that date was 50, although we believe that the number of beneficial owners of our Common Stock is substantially greater.



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

	High	Low
<b><u>2011</u></b>		
1 <sup>st</sup> Quarter	\$ 2.62	\$ 2.16
2 <sup>nd</sup> Quarter	\$ 2.50	\$ 1.62
3 <sup>rd</sup> Quarter	\$ 2.12	\$ 1.25
4 <sup>th</sup> Quarter	\$ 1.44	\$ 0.98
	High	Low
<b><u>2010</u></b>		
1 <sup>st</sup> Quarter	\$ 2.39	\$ 1.50
2 <sup>nd</sup> Quarter	\$ 3.70	\$ 1.87
3 <sup>rd</sup> Quarter	\$ 2.76	\$ 1.90
4 <sup>th</sup> Quarter	\$ 2.70	\$ 2.02

**Dividends**

We do not pay a regular dividend. Any determination relating to dividend policy will be made at the discretion of our board of directors. The terms of our senior secured credit facility governing our notes currently restrict our ability to pay dividends.

**Securities Authorized for Issuance under Equity Compensation Plans**

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

**Unregistered Sales of Equity Securities**

None.

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**Performance Graph**

The following graphs compare the percentage change in PGT, Inc.'s cumulative total stockholder return on its Common Stock with the cumulative total stockholder return of the Standard & Poor's Building Products Index and the NASDAQ Composite Index over the period from December 30, 2006 to December 31, 2011.

**COMPARISON OF 60 MONTH CUMULATIVE TOTAL RETURN\***  
**AMONG PGT, INC., THE NASDAQ COMPOSITE INDEX,**  
**AND THE S&P BUILDING PRODUCTS INDEX**

\* \$100 invested on 12/30/2006 in stock or in index-including reinvestment of dividends for 60 months ending December 31, 2011.

**Table of Contents****Item 6. SELECTED FINANCIAL DATA**

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

All information included in the following tables should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Item 7, and with the consolidated financial statements and related notes in Item 8. All years consisted of 52 weeks except for the year ended January 3, 2009, which consisted of 53 weeks. We do not believe the impact on comparability of results is significant.

<b>Consolidated Selected Financial Data (in thousands except per share data)</b>	<b>Year Ended December 31, 2011</b>	<b>Year Ended January 1, 2011</b>	<b>Year Ended January 2, 2010</b>	<b>Year Ended January 3, 2009</b>	<b>Year Ended December 29, 2007</b>
Net sales	\$ 167,276	\$ 175,741	\$ 166,000	\$ 218,556	\$ 278,394
Cost of sales	128,171	125,615	121,821	150,633	187,920
Gross margin	39,105	50,126	44,179	67,923	90,474
Impairment charges (1)	5,959	5,561	742	187,748	826
Selling, general and administrative expenses	48,619	53,879	51,703	62,753	76,473
(Loss) income from operations	(15,473)	(9,314)	(8,266)	(182,578)	13,175
Interest expense	4,168	5,123	6,698	9,283	11,404
Gain on sale of assets	(875)				
Other expense (income), net (2)	456	(19)	37	(40)	692
(Loss) income before income taxes	(19,222)	(14,418)	(15,001)	(191,821)	1,079
Income tax (benefit) expense	(2,324)	77	(5,584)	(28,789)	456
Net (loss) income	\$ (16,898)	\$ (14,495)	\$ (9,417)	\$ (163,032)	\$ 623
Net (loss) income per common share:					
Basic	\$ (0.31)	\$ (0.29)	\$ (0.26)	\$ (5.08)	\$ 0.02
Diluted	\$ (0.31)	\$ (0.29)	\$ (0.26)	\$ (5.08)	\$ 0.02
Weighted average shares outstanding:					
Basic	53,659	50,174	36,241	32,104	29,163
Diluted	53,659	50,174	36,241	32,104	30,207
Other financial data:					
Depreciation	\$ 7,590	\$ 9,180	\$ 10,435	\$ 11,518	\$ 10,418
Amortization	6,502	6,028	5,731	5,570	5,570
	<b>As Of December 31, 2011</b>	<b>As Of January 1, 2011</b>	<b>As Of January 2, 2010</b>	<b>As Of January 3, 2009</b>	<b>As Of December 29, 2007</b>
Balance Sheet data:					
Cash and cash equivalents	\$ 10,940	\$ 22,012	\$ 7,417	\$ 19,628	\$ 19,479
Total assets	142,835	169,119	173,630	200,617	407,865
Total debt, including current portion	45,550	50,163	68,268	90,366	130,000
Shareholders' equity	67,362	83,042	68,209	74,185	210,472

- (1) In 2011 and 2008, amounts relate to intangible asset impairment charges. In 2010, 2009, and 2007, amounts relate to write-down of the value of our Salisbury, North Carolina and Lexington, North Carolina properties, and certain other equipment of the Company. See Notes 2 and 7 in Item 8.

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- (2) Relates mainly to write-off of deferred financing costs in 2011, and derivative financial instruments in other years.

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

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

Executive Overview;

Results of Operations;

Liquidity and Capital Resources;

Disclosures of Contractual Obligations and Commercial Commitments;

Critical Accounting Estimates;

Recently Issued Accounting Standards; and

Forward Outlook

#### **EXECUTIVE OVERVIEW**

#### **Sales and Operations**

On February 23, 2012, we issued a press release and on Friday, February 24, 2012, held a conference call to review the results of operations for our fourth quarter and fiscal year ended December 31, 2011. During the call, we also discussed current market conditions and progress made regarding certain of our initiatives. The overview and estimates contained in this report are consistent with those given in our press release and discussed on the call. We are neither updating nor confirming that information.

During 2011, we started and completed the consolidation of our Salisbury, North Carolina facility into our Florida operations. This entailed moving the contents of a 379,000 square foot facility into a fully functioning 470,000 square foot facility, and hiring and training 500 new employees. During the second half of the year we realized savings of approximately \$3.0 million, and expect to realize additional savings of \$3.0 \$3.5 million in the first half of 2012. Accordingly, we are expected to realize \$6.0 \$6.5 million from consolidation.

We accomplished all this during a year where we focused our sales strategy back to our core market of Florida, and shored up our international sale force, working in an industry that from a residential point of view may have been the most difficult since the recession began. Annually, single family home starts (not including multi-family townhomes, condos, etc) were the lowest in recent history.

Sales in 2011 decreased \$8.4 million, or 4.8%, compared to 2010, due mainly to decreased sales in our out of state market, where sales decreased \$9.0 million, or 35.3%. The decrease was due mainly to our decision to reduce our efforts in these markets. Our international sales also decreased by \$0.6 million, or 7.6%. However our Florida sales, which represent 86% of our total sales, increased \$1.2 million, or 0.8%.

By product line, sales in our non-impact line decreased \$6.8 million, or 12.8%. This decrease is driven by our Vinyl Non-impact products which decreased \$6.3 million, or 33.2%, due almost entirely to reduced efforts out of state, where sales fell \$6.2 million, or 83.9%. Sales in our non-impact aluminum line and our EZE-Breeze line were flat year over year. Sales in our impact products decreased \$1.6 million, or 1.3%. This decrease was driven by our Architectural System sales which decreased \$5.2 million, or 53.2%. Offsetting this decrease was our PremierVue line whose sales increased \$3.8 million, or 110%. This increase was partially driven by the launch of our Crystal Award winning vinyl sliding

glass door line. The WinGuard line was basically flat year over year.

Looking at 2012 and beyond, the housing industry continues to suffer from negative factors. Both new construction and remodeling activity remain well below past levels and we believe will do so through the first half of 2012. While we have seen indicators suggesting the industry is ready for steady improvement, our continued sluggish economy and high unemployment in our core market of Florida constantly remind us that the timetable for true, sustainable growth remains uncertain at best.

### **Liquidity and Cash Flow**

We began 2007 with net debt of \$128.5 million and ended fiscal 2010 with net debt of \$28.0 million. During those four years, we reduced our debt by combining internally generated cash of \$56.2 million with net proceeds from the 2008 and 2010 rights offerings of \$44.3 million. Our net debt increased by \$3.5 million during 2011 due to consolidation payments.

On June 23, 2011, we refinanced our long-term debt which would have otherwise become due in February 2012. This debt agreement, a copy of which was filed as part of an 8-K with the SEC on June 23, 2011, among other things, extends the due date of our debt to June 2016 and reduces the interest rate on the debt by 100 basis points (5.75 % initially with the potential for further improvement as leverage decreases).

### **Acquisition**

On December 17, 2010, we exercised our option and acquired the intellectual property assets of Hurricane Window and Door Factory, LLC ( Hurricane ) of Ft. Myers, Florida. With this acquisition, we acquired, among other things, all of the intellectual property underlying our PremierVue line of vinyl impact-resistant windows and doors for the single- and multi-family residential markets. The purchase price was \$2.8 million of which \$2.6 million was paid at closing, and the remainder was paid during 2011. As of January 1, 2011, \$0.2 million is included in accrued liabilities in the accompanying balance sheet. The carrying value of the intangible assets of \$1.8 million and \$2.8 million, respectively, is included in other intangible assets, net, in the accompanying balance sheets at December 31, 2011, and January 1, 2011. The intangible assets are being amortized on the straight-line basis over their estimated useful lives of approximately 3 years. Amortization expense of \$1.0 million and less than \$0.1million is included in selling, general and administrative expenses in the accompanying consolidated statements of operations for the years ended December 31, 2011, and January 1, 2011, respectively.



**Table of Contents****Consolidation and Restructurings**

On December 3, 2010, we announced that our Salisbury, North Carolina operations would be transferred to Venice, Florida to consolidate our window and door production at our Florida manufacturing facility. During 2011, we recorded consolidation charges of \$4.1 million, which includes \$1.3 million of severance expense and \$2.8 million of moving expenses. The classification of charges were \$3.4 million within cost of goods sold, and the remaining \$0.7 million within selling, general and administrative expenses in the accompanying consolidated statement of operations. The total charges recorded through December 31, 2011, for the consolidation are \$6.2 million, \$2.1 million having been recorded in December 2010, of which approximately less than \$0.1 million and \$1.8 million are accrued as of December 31, 2011, and January 1, 2011, respectively, and are classified in accounts payable and accrued liabilities within the accompanying condensed consolidated balance sheets. The unpaid severance expense as of December 31, 2011, is expected to be disbursed prior to the end of 2012. (Note 8)

On January 13, 2009, March 10, 2009, September 24, 2009 and November 12, 2009, we announced restructurings as a result of continued analysis of our target markets, internal structure, projected run-rate, and efficiency. As a result of the restructurings, we recorded restructuring charges of \$5.4 million in the accompanying consolidated statement of operations for the year ended January 2, 2010, of which \$3.1 million is classified within cost of goods sold. The remaining \$2.3 million is classified within selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended January 2, 2010. Of the \$5.4 million, \$2.6 million was disbursed in the first quarter of 2009.

The following table provides information with respect to the accrual for the severance for the consolidation and restructuring costs:

	Beginning of Year	Charged to Expense	Disbursed in Cash	End of Year
<i>(in thousands)</i>				
<b>Year ended December 31, 2011:</b>				
Consolidation	\$ 1,812	\$ 1,286	\$ (3,083)	\$ 15
For the year ended December 31, 2011	\$ 1,812	\$ 1,286	\$ (3,083)	\$ 15
<b>Year ended January 1, 2011:</b>				
2009 Restructuring	\$ 898	\$	\$ (898)	\$
Consolidation		2,053	(241)	1,812
For the year ended January 1, 2011	\$ 898	\$ 2,053	\$ (1,139)	\$ 1,812
<b>Year ended January 2, 2010:</b>				
2008 Restructuring	\$ 332	\$	\$ (332)	\$
2009 Restructuring		5,395	(4,497)	898
For the year ended January 2, 2010	\$ 332	\$ 5,395	\$ (4,829)	\$ 898

**Table of Contents****Non-GAAP Financial Measures Items Affecting Comparability**

Below is a presentation of EBITDA, a non-GAAP measure, which we believe is useful information for investors (in thousands):

	December 31, 2011	Year Ended January 1, 2011	January 2, 2010
Net loss	\$ (16,898)	\$ (14,495)	\$ (9,417)
Interest expense	4,168	5,123	6,698
Income tax (benefit) expense	(2,324)	77	(5,584)
Depreciation	7,590	9,180	10,435
Amortization	6,502	6,028	5,731
EBITDA (1)(2)	\$ (962)	\$ 5,913	\$ 7,863
(1) Includes the impact of the following :			
Consolidation/restructuring charges (a)	\$ (4,106)	\$ (2,053)	\$ (5,395)
Impairment charges (b)	(5,959)	(5,561)	(742)
Gain on equipment sales (c )	875		
Manufacturing inefficiencies (d)	(4,005)		
Write-off deferred financing costs (e)	(420)		

- (a) Represents charges related to consolidation actions taken in 2011 and 2010 and restructuring actions taken in 2009. These charges relate primarily to employee separation costs and move related expense.
- (b) In 2011 the amount relates to the write-down of the value of our trade names. The 2010 amount represents assets related to the write-down of the Salisbury, North Carolina facility. The 2009 amount represents the write-down of the value of the Lexington, North Carolina facility.
- (c) Represents gains related to the sale of equipment previously used in the North Carolina operations. These gains are included in other income for the year ended December 31, 2011.
- (d) Represents temporary excess labor and scrap expense incurred as a result of the consolidation actions taken in 2011. The amounts were determined by comparing the manufacturing results during consolidation with normalized pre-consolidation results. These expenses are included in cost of goods sold for the year ended December 31, 2011.
- (e) Represents the write off of the remaining unamortized fees associated with our previous financing agreement. These charges are included in other expense for the year ended December 31, 2011.
- (2) EBITDA is defined as net income plus interest expense (net of interest income), income taxes, depreciation, and amortization. EBITDA is a measure commonly used in the window and door industry, and we present EBITDA to enhance your understanding of our operating performance. We use EBITDA as one criterion for evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies. While we believe EBITDA is a useful measure for investors, it is not a measurement presented in accordance with United States generally accepted accounting principles, or GAAP. You should not consider EBITDA in isolation or as a substitute for net income, cash flows from operations, or any other items calculated in accordance with GAAP.

**Table of Contents****RESULTS OF OPERATIONS****Analysis of Selected Items from our Consolidated Statements of Operations**

	December 31, 2011	Year Ended January 1, 2011	January 2, 2010	Percent Change Increase / (Decrease)	
				2011-2010	2010-2009
<i>(in thousands, except per share amounts and percentages)</i>					
Net sales	\$ 167,276	\$ 175,741	\$ 166,000	(4.8%)	5.9%
Cost of sales	128,171	125,615	121,821	2.0%	3.1%
	&n				