UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 1, 2016

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: 000-24956

Associated Materials, LLC
(Exact Name of Registrant as Specified in Its Charter)

Delaware	75-1872487
(State or Other Jurisdiction of Incorporation of Organization)	(I.R.S. Employer Identification No.)
3773 State Rd., Cuyahoga Falls, Ohio	44223
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code (330) 929 -1811

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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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, as amended (the "Exchange Act"), 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 ☒ Although the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act, the registrant has filed all such Exchange Act reports for the preceding 12 months.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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 in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 28, 2016, all of the registrant's membership interests outstanding were held by an affiliate of the registrant.

ASSOCIATED MATERIALS, LLC
Report for the Quarter ended October 1, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ASSOCIATED MATERIALS, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	October 1, 2016	January 2, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 13,178	$ 9,394
Accounts receivable, net	162,158	127,043
Inventories	140,178	123,374
Income taxes receivable	652	1,612
Deferred income taxes	1,502	1,502
Prepaid expenses and other current assets	12,732	14,163
Total current assets	330,400	277,088
Property, plant and equipment, net	87,027	90,794
Goodwill	307,353	302,908
Other intangible assets, net	383,649	397,953
Other assets	3,882	4,593
Total assets	$ 1,112,311	$ 1,073,336
Liabilities and Member's Deficit		
Current liabilities:		
Accounts payable	$ 109,605	$ 91,563
Accrued liabilities	101,652	83,630
Borrowings under ABL facilities	80,000	—
Deferred income taxes	1,652	436
Income taxes payable	4,658	36
Total current liabilities	297,567	175,665
Deferred income taxes	83,227	82,102
Other liabilities	111,790	113,123
Long-term debt	851,102	916,807
Member's deficit	(231,375)	(214,361)
Total liabilities and member's deficit	$ 1,112,311	$ 1,073,336

See accompanying notes to Condensed Consolidated Financial Statements.

ASSOCIATED MATERIALS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, in thousands)

	Quarters Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Net sales	$ 332,482	$ 339,787	$ 892,552	$ 891,402
Cost of sales	244,743	258,083	665,755	686,780
Gross profit	87,739	81,704	226,797	204,622
Selling, general and administrative expenses	63,392	61,391	183,987	182,027
Restructuring costs	—	1,787	74	1,787
Other operating income	(158)	—	(890)	—
Income from operations	24,505	18,526	43,626	20,808
Interest expense	21,386	20,808	63,887	62,670
Foreign currency loss	305	806	470	1,923
Income (loss) before income taxes	2,814	(3,088)	(20,731)	(43,785)
Income tax expense	2,996	2,116	5,777	4,879
Net loss	(182)	(5,204)	(26,508)	(48,664)
Other comprehensive income (loss); net of tax				
Pension and other postretirement benefit adjustments	17	145	51	444
Foreign currency translation adjustments	(3,193)	(8,659)	9,254	(21,624)
Total comprehensive loss	$ (3,358)	$ (13,718)	$ (17,203)	$ (69,844)

See accompanying notes to Condensed Consolidated Financial Statements.

ASSOCIATED MATERIALS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended	
	October 1, 2016	October 3, 2015
Operating Activities		
Net loss	$ (26,508)	$ (48,664)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	29,448	30,016
Deferred income taxes	1,193	926
Non-cash portion of restructuring costs	—	4,035
Provision for allowance for doubtful accounts	1,671	1,137
Amortization of deferred financing costs and premium on senior notes	2,823	2,696
Gain on sale or disposal of assets	(941)	(45)
Stock based compensation expense	189	129
Changes in operating assets and liabilities:		
Accounts receivable	(35,516)	(42,005)
Inventories	(15,072)	(15,974)
Accounts payable and accrued liabilities	34,818	59,732
Income taxes receivable / payable	5,686	506
Other assets and liabilities	(214)	(1,031)
Net cash used in operating activities	(2,423)	(8,542)
Investing Activities		
Capital expenditures	(6,718)	(14,628)
Proceeds from the sale of assets	1,474	140
Net cash used in investing activities	(5,244)	(14,488)
Financing Activities		
Borrowings under ABL facilities	132,789	135,731
Payments under ABL facilities	(145,649)	(110,653)
Proceeds from promissory note	27,500	—
Financing fees	(3,203)	—
Net cash provided by financing activities	11,437	25,078
Effect of exchange rate changes on cash and cash equivalents	14	(70)
Net increase in cash and cash equivalents	3,784	1,978
Cash and cash equivalents at beginning of period	9,394	5,963
Cash and cash equivalents at end of period	$ 13,178	$ 7,941
Cash paid during the period for:		
Interest	$ 41,685	$ 40,947
Income taxes	$ 126	$ 3,525

Capital expenditures of $511 thousand and $614 thousand remained unpaid as of October 1, 2016 and October 3, 2015, respectively, and were excluded from Capital expenditures in the Investing Activities section above.

See accompanying notes to Condensed Consolidated Financial Statements.

ASSOCIATED MATERIALS, LLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED OCTOBER 1, 2016
(UNAUDITED)

1. Basis of Presentation

Associated Materials, LLC (the "Company") is a 100% owned subsidiary of Associated Materials Incorporated, formerly known as AMH Intermediate Holdings Corp. ("Holdings"). Holdings is a wholly owned subsidiary of Associated Materials Group, Inc., formerly known as AMH Investment Holdings Corp. ("Parent"), which is controlled by investment funds affiliated with Hellman & Friedman LLC ("H&F"). Holdings and Parent do not have material assets or operations other than their direct and indirect ownership, respectively, of the membership interests of the Company. Approximately 97% of the capital stock of Parent is owned by investment funds affiliated with H&F.

The condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial reporting, the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these interim condensed consolidated financial statements contain all of the normal recurring accruals and adjustments considered necessary for a fair presentation of the unaudited results for the quarters and nine months ended October 1, 2016 and October 3, 2015. These financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in its Annual Report on Form 10-K for the fiscal year ended January 2, 2016, filed with the Securities and Exchange Commission ("SEC") on March 22, 2016 ("Annual Report"). A detailed description of the Company's significant accounting policies and management judgments is located in the audited financial statements included in its Annual Report.

The Company is a leading, vertically integrated manufacturer and distributor of exterior residential building products in the United States ("U.S.") and Canada. The Company was founded in 1947 when it first introduced residential aluminum siding under the Alside® brand. The Company provides a comprehensive offering of exterior building products, including vinyl windows, vinyl siding, aluminum trim coil, aluminum and steel siding and related accessories, which are produced at the Company's 11 manufacturing facilities. The Company also sells complementary products that it sources from a network of manufacturers, such as roofing materials, cladding materials, insulation, exterior doors, equipment and tools. The Company also provides installation services. The Company distributes these products through its extensive dual-distribution network to over 50,000 professional exterior contractors, builders and dealers, whom the Company refers to as its "contractor customers." This dual-distribution network consists of 124 company-operated supply centers, through which the Company sells directly to its contractor customers, and its direct sales channel, through which the Company sells to more than 260 independent distributors, dealers and national account customers.

Because most of the Company's building products are intended for exterior use, sales and operating profits tend to be lower during periods of inclement weather. Weather conditions in the first quarter of each calendar year usually result in that quarter producing significantly less net sales and net cash flows from operations than in any other period of the year. Consequently, the Company has historically had losses or small profits in the first quarter and lower profits from operations in the fourth quarter of each calendar year. Therefore, the results of operations for any interim period are not necessarily indicative of the results of operations for a full year.

Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than an asset, consistent with the presentation of debt discounts. The recognition and measurement of debt issuance costs are not affected by the new guidance. In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"). ASU 2015-15 provides that, given the absence of authoritative guidance in ASU 2015-03 with respect to presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements, an entity is permitted to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. During fiscal year 2016, ASU 2015-03 and ASU 2015-05 became effective and accordingly, debt issuance costs of $8.7 million were reclassified from other assets to long-term debt on the January 2, 2016 Condensed Consolidated Balance Sheet.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued an amendment to address specific cash flow issues to reduce existing diversity in presenting statement of cash flow. The update clarified how certain cash receipts and cash payments should be presented and classified in the statement of cash flow. The new update is effective commencing with the Company's 2018 fiscal year. The Company is evaluating the potential impact of adoption of this update.

In May and April of 2016, the FASB issued two additional standard updates on the new standard on revenue recognition originally issued in May 2014. These updates do not amend the core principal of revenue recognition guidance. Rather, these updates provide clarifications, narrow-scope improvements and practical expedients in interpreting and adopting of previously issued guidance on revenue recognition issues. These new updates are effective commencing with the Company's 2018 fiscal year. The Company is evaluating the potential impact of adoption of these updates.

In March 2016, the FASB issued a modified standard on stock compensation. This standard makes several modifications to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. It also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective commencing with the Company's 2017 fiscal year and requires enhanced disclosures. The Company is evaluating the potential impact of the new requirements under the standard.

In February 2016, the FASB issued a new standard on leases. The new standard requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by finance and operating leases with lease terms of more than 12 months. The amendment is effective commencing with the Company's 2019 fiscal year and requires enhanced disclosures. The Company is evaluating the potential impact of adoption of this guidance.

In November 2015, the FASB issued guidance that requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. The guidance is effective commencing with the Company's 2017 fiscal year with early adoption permitted. The guidance is not expected to have a material impact on the Company's balance sheet. The Company is evaluating the timing of adoption of this guidance.

In July 2015, the FASB issued guidance that requires entities to measure inventory at the lower of cost or net realizable value. The guidance is effective commencing with the Company's 2017 fiscal year with early adoption permitted. The guidance is not expected to have a material impact on the Company's balance sheet. The Company is evaluating the timing of adoption of this guidance.

In August 2014, the FASB issued a standard on the presentation of "Going Concern" in the financial statements. The standard requires management to evaluate whether there are any conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, and, if present, provide enhanced disclosures. The standard is effective commencing with the Company's 2016 fiscal year. The Company is evaluating the potential impact of adoption of this guidance.

2. Allowance for Doubtful Accounts

Allowance for doubtful accounts on accounts receivable consists of the following (in thousands):

	October 1, 2016	January 2, 2016
Allowance for doubtful accounts, current	$ 2,582	$ 3,204
Allowance for doubtful accounts, non-current	5,848	4,401
	$ 8,430	$ 7,605

3. Inventories

Inventories consist of the following (in thousands):

	October 1, 2016	January 2, 2016
Raw materials	$ 32,396	$ 31,024
Work-in-progress	11,859	10,900
Finished goods	95,923	81,450
	$ 140,178	$ 123,374

4. Goodwill and Other Intangible Assets

The Company tests goodwill for impairment on an annual basis at the beginning of the fourth quarter, or an interim basis if there are indicators of potential impairment. As of October 1, 2016, the Company is not aware of any events or circumstances that occurred which would require a goodwill impairment test.

The changes in the carrying amount of goodwill are as follows (in thousands):

	Goodwill
Balance at January 2, 2016	$ 302,908
Foreign currency translation	4,445
Balance at October 1, 2016	$ 307,353

As of October 1, 2016 and January 2, 2016, accumulated goodwill impairment losses were $228.5 million, exclusive of foreign currency translation.

Other intangible assets consist of the following (in thousands):

	October 1, 2016			January 2, 2016		
	Cost	Accumulated Amortization	Net Carrying Value	Cost	Accumulated Amortization	Net Carrying Value
Amortized customer bases	$ 316,304	$ 148,037	$ 168,267	$ 313,821	$ 128,230	$ 185,591
Amortized non-compete agreements	20	20	—	20	19	1
Total amortized intangible assets	316,324	148,057	168,267	313,841	128,249	185,592
Non-amortized trade names	215,382	—	215,382	212,361	—	212,361
Total intangible assets	$ 531,706	$ 148,057	$ 383,649	$ 526,202	$ 128,249	$ 397,953

The Company's non-amortized intangible assets consist of the Alside®, Revere®, Gentek®, Preservation® and Alpine® trade names and are subject to testing for impairment on an annual basis at the beginning of the fourth quarter, or an interim basis if indicators of potential impairment are present. The Company did not recognize any impairment losses related to its other intangible assets during the quarters and nine months ended October 1, 2016 and October 3, 2015.

Finite-lived intangible assets, which consist of customer bases and non-compete agreements, are amortized over their estimated useful lives. The estimated average amortization period for customer bases and non-compete agreements are 13 years and 3 years, respectively. Amortization expense related to other intangible assets was $6.2 million and $18.6 million for the quarter and nine months ended October 1, 2016, respectively, and $6.3 million and $18.8 million for the quarter and nine months ended October 3, 2015, respectively. Amortization expense is estimated to be approximately $25 million per year for fiscal years 2016, 2017, 2018, 2019 and 2020.

5. Restructuring Costs

Changes in the restructuring liability are as follows (in thousands):

	Quarter Ended October 1, 2016		
	Distribution	Manufacturing	Total
Balance at July 2, 2016	$ 1,120	$ 897	$ 2,017
Accretion of related lease obligations	100	118	218
Payments	(145)	(143)	(288)
Balance at October 1, 2016	$ 1,075	$ 872	$ 1,947

	Quarter Ended October 3, 2015		
	Distribution	Manufacturing	Total
Balance at July 4, 2015	$ —	$ 1,627	$ 1,627
Increase (decrease)	2,229	(442)	1,787
Accretion of related lease obligations	—	170	170
Payments	—	(149)	(149)
Balance at October 3, 2015	$ 2,229	$ 1,206	$ 3,435

	Nine Months Ended October 1, 2016		
	Distribution	Manufacturing	Total
Balance at January 2, 2016	$ 1,654	$ 1,147	$ 2,801
Increase	74	—	74
Accretion of related lease obligations	114	350	464
Payments	(767)	(625)	(1,392)
Balance at October 1, 2016	$ 1,075	$ 872	$ 1,947

	Nine Months Ended October 3, 2015		
	Distribution	Manufacturing	Total
Balance at January 3, 2015	$ —	$ 1,960	$ 1,960
Increase (decrease)	2,229	(442)	1,787
Accretion of related lease obligations	—	322	322
Payments	—	(634)	(634)
Balance at October 3, 2015	$ 2,229	$ 1,206	$ 3,435

The remaining restructuring liability, primarily related to the present value of future lease payments, is recorded as a component of Accrued liabilities and Other liabilities on the Condensed Consolidated Balance Sheets. The Company expects the liability to be paid over the remaining lease terms, which end in 2020.

6. Product Warranty Costs

Consistent with industry practice, the Company provides homeowners with limited warranties on certain products, primarily related to window and siding product categories. Warranty reserve is recorded as a component of Accrued liabilities and Other liabilities on the Condensed Consolidated Balance Sheets.

Changes in the warranty reserve are as follows (in thousands):

	Quarters Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Balance at the beginning of the period	$ 85,397	$ 88,901	$ 85,112	$ 89,940
Provision for warranties issued and changes in estimates for pre-existing warranties	1,556	1,513	4,413	4,220
Claims paid	(1,739)	(1,689)	(4,950)	(4,752)
Foreign currency translation	(158)	(449)	481	(1,132)
Balance at the end of the period	$ 85,056	$ 88,276	$ 85,056	$ 88,276

7. Debt

As of October 1, 2016, we have engaged in negotiations with prospective lenders to refinance our existing long-term debt, and are expected to consummate the refinancing in the fourth quarter of 2016.

The Company's debt consists of the following (in thousands):

	October 1, 2016	January 2, 2016
9.125% Senior Secured Notes due 2017	$ 830,000	$ 830,000
Borrowings under the ABL facilities	80,000	92,800
Promissory note, related parties	27,500	—
Plus: Unamortized premium	1,630	2,684
Less: Deferred financing costs, net of amortization	(8,028)	(8,677)
Total debt	$ 931,102	$ 916,807

9.125% Senior Secured Notes due 2017

In October 2010, the Company and its wholly owned subsidiary, AMH New Finance, Inc. ("AMHNF" and, together with the Company, collectively, the "Issuers") issued and sold $730.0 million of 9.125% Senior Secured Notes due November 1, 2017 (the "existing notes"). The existing notes bear interest at a rate of 9.125% per annum, payable on May 1st and November 1st of each year.

On May 1, 2013, the Issuers issued and sold an additional $100.0 million in aggregate principal amount of 9.125% Senior Secured Notes due November 1, 2017 (the "new notes" and, together with existing notes, the "9.125% notes") at an issue price of 106.00% of the principal amount of the new notes in a private placement. The Company used the net proceeds of the offering to repay the outstanding borrowings under its ABL facilities (as defined below) and for other general corporate purposes. The new notes were issued as additional notes under the same indenture, dated as of October 13, 2010, governing the existing notes, as supplemented by a supplemental indenture (collectively, the "Indenture"). On October 31, 2013, all of the new notes were exchanged for 9.125% Senior Secured Notes due 2017, which have been registered under the Securities Act of 1933, as amended. The new notes are consolidated with and form a single class with the existing notes and have the same terms as to status, redemption, collateral and otherwise (other than issue date, issue price and first interest payment date) as the existing notes. The debt premium related to the issuance of the new notes is being amortized into interest expense over the life of the new notes. The effective interest rate of the new notes, including the premium, is 7.5% as of October 1, 2016.

The 9.125% notes, at par value of $830.0 million, have an estimated fair value, classified as a Level 1 measurement, of $805.8 million and $576.4 million based on quoted market prices as of October 1, 2016 and January 2, 2016, respectively.

The Company may from time to time, in its sole discretion, purchase, redeem or retire the 9.125% notes in privately negotiated or open market transactions, by tender offer or otherwise.

Guarantees. The 9.125% notes are unconditionally guaranteed, jointly and severally, by each of the Issuers' 100% owned direct and indirect domestic subsidiaries ("guarantors") that guarantee the Company's obligations under the ABL facilities.

Collateral. The 9.125% notes and the guarantees are secured by a first-priority lien on substantially all of the Issuers' and the guarantors' present and future assets located in the United States (other than the ABL collateral, in which the 9.125% notes and the guarantees have a second-priority lien, and certain other excluded assets), including equipment, owned real property valued at $5.0 million or more and all present and future shares of capital stock of each of the Issuers' and each guarantor's material directly 100% owned domestic subsidiaries and 65% of the present and future shares of capital stock, of each of the Issuers' and each guarantor's directly owned foreign restricted subsidiaries (other than Canadian subsidiaries), in each case subject to the Rule 3-16 exclusion described below, certain other exceptions and customary permitted liens. In addition, the 9.125% notes and the guarantees are secured by a second-priority lien on substantially all of the Issuers' and the guarantors' present and future assets, which assets also secure the Issuers' obligations under the ABL facilities, including accounts receivable, inventory, related general intangibles, certain other related assets and the proceeds thereof.

The capital stock and other securities of any subsidiary will be excluded from the collateral securing the 9.125% notes and the guarantees to the extent that the pledge of such capital stock and other securities would result in the Company being required to file separate financial statements of such subsidiary with the SEC pursuant to Rule 3-16 or Rule 3-10 of Regulation S-X under the Securities Act of 1933, as amended. Rule 3-16 of Regulation S-X requires the presentation of a company's standalone, audited financial statements if that company's capital stock or other securities are pledged to secure the securities of another issuer, and the greatest of the principal amount, par value, book value and market value of the pledged stock or securities equals or exceeds 20% of the principal amount of the securities secured by such pledge. Accordingly, the collateral securing the 9.125% notes and the guarantees may in the future exclude the capital stock and securities of the Company's subsidiaries, in each case to the extent necessary to not be subject to such requirement.

Optional Redemption. The Issuers have the option to redeem the 9.125% notes, in whole or in part, at any time on or after November 1, 2013 at redemption prices (expressed as percentages of principal amount of the 9.125% notes to be redeemed) of 102.281% and 100.000% during the 12-month periods commencing on November 1, 2015 and 2016, respectively, plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date.

Change of Control. Upon the occurrence of a change of control, as defined in the Indenture, the Issuers must give holders of notes the opportunity to sell the Issuers their 9.125% notes at 101% of their face amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

Covenants. The Indenture contains covenants limiting the Issuers' ability and the ability of their restricted subsidiaries to, among other things: pay dividends or distributions, repurchase equity, prepay junior debt and make certain investments; incur additional debt or issue certain disqualified stock and preferred stock; incur liens on assets; merge or consolidate with another company or sell all or substantially all assets; enter into transactions with affiliates; and enter into agreements that would restrict the Company's subsidiaries to pay dividends or make other payments to us. These covenants are subject to important exceptions and qualifications as described in the Indenture. Most of these covenants will cease to apply for so long as the 9.125% notes have investment grade ratings from both Moody's Investors Service, Inc. and Standard & Poor's Rating Services.

ABL Facilities

In October 2010, the Company and certain of its subsidiaries (as "U.S. borrowers" and "Canadian borrowers" and, collectively, the "borrowers") entered into the ABL facilities pursuant to a revolving credit agreement dated October 13, 2010, which was subsequently amended and restated on April 18, 2013 (as amended, the "Amended and Restated Revolving Credit Agreement") to, among other things, extend the maturity date of the revolving credit agreement from October 13, 2015 to the earlier of (i) April 18, 2018 and (ii) 90 days prior to the maturity date of the existing notes. As of October 1, 2016, the ABL facilities provide up to $213.0 million commitment which comprise of a $141.5 million U.S. facility and a $71.5 million Canadian facility (the "U.S. facility" and the "Canadian facility," respectively).

Interest Rate and Fees. At the Company's option, the U.S. and Canadian revolving credit loans under the Amended and Restated Revolving Credit Agreement governing the ABL facilities bear interest at the rate equal to (1) the London Interbank Offered Rate ("LIBOR") (for eurodollar loans under the U.S. facility) or the Canadian Dealer Offered Rate ("CDOR") (for loans under the Canadian facility), plus an applicable margin of 2.25% as of October 1, 2016, or (2) the alternate base rate (for alternate base rate loans under the U.S. facility, which is the highest of a prime rate, the Federal Funds Effective Rate plus 0.50% and a one-month LIBOR rate plus 1.0% per annum) or the alternate Canadian base rate (for loans under the Canadian facility, which is the higher of a Canadian prime rate and the 30-day CDOR plus 1.0%), plus an applicable margin of 1.25% as of October 1, 2016, in each case, which interest rate margin may vary in 25 basis point increments between three pricing levels determined by reference to the average excess availability in respect of the U.S. and Canadian tranche A revolving credit loans. In addition to paying interest on outstanding principal under the ABL facilities, the Company is required to pay a commitment fee in respect of the U.S. and Canadian tranche A revolving credit loans, payable quarterly in arrears, of 0.375%.

Borrowing Base. Availability for borrowings under each of the U.S. facility and the Canadian facility is subject to a borrowing base, which is based on (i) the U.S. borrowers' eligible accounts receivable and inventory, with respect to the U.S. facility and (ii) the Canadian borrowers' eligible accounts receivable, inventory and, equipment and real property, in each case, after adjusting for customary reserves and, in the case of the Canadian facility, certain payables established or modified from time to time by and at the permitted discretion of the administrative agent thereunder. To the extent that the value of the components in a borrowing base decline, the applicable borrowing base will decrease and the availability under the ABL facilities may decrease below the $213.0 million of aggregate commitments. In addition, if the amount of outstanding borrowings and letters of credit under the U.S. facility or the Canadian facility exceeds the applicable borrowing base or the applicable revolving credit commitments, the Company is required to prepay borrowings in an amount sufficient to eliminate the excess.

Guarantors. All obligations under the U.S. facility are guaranteed by each existing and subsequently acquired direct and indirect wholly-owned material U.S. restricted subsidiary of the Company and by the Company's direct parent, other than certain excluded subsidiaries ("U.S. guarantors"). All obligations under the Canadian facility are guaranteed by each existing and subsequently acquired direct and indirect wholly-owned material Canadian restricted subsidiary of us, other than certain excluded subsidiaries ("Canadian guarantors" and, together with U.S. guarantors, "ABL guarantors") and the U.S. guarantors.

Collateral. All obligations of the U.S. borrowers and the U.S. guarantors under the ABL facilities are secured by a security interest in substantially all of the Company's present and future property and assets, including a first-priority security interest in the Company's capital stock and a second-priority security interest in the capital stock of each of the Company's direct, material wholly-owned restricted subsidiaries (the "U.S. ABL Collateral"). The Canadian security agreement provides that all obligations of the Canadian borrowers and the Canadian guarantors are secured by the U.S. ABL Collateral and a security interest in substantially all of the Company's Canadian assets, including a first-priority security interest in the capital stock of the Canadian borrowers and each direct, material wholly-owned restricted subsidiary of the Canadian borrowers and Canadian guarantors.

Covenants, Representations and Warranties. The Amended and Restated Revolving Credit Agreement, contains customary representations and warranties and customary affirmative and negative covenants, including, with respect to negative covenants, among other things, restrictions on indebtedness, liens, investments, fundamental changes, asset sales, dividends and other distributions, prepayments or redemption of junior debt, transactions with affiliates and negative pledge clauses. There are no financial covenants included in the Amended and Restated Revolving Credit Agreement, other than a springing fixed charge coverage ratio of at least 1.00 to 1.00, which, pursuant to Amendment No. 3 (as defined below), will be tested only when excess availability is less than (1) for the period commencing on and including February 19, 2016 through and including April 21, 2016, $10.0 million, (2) for the period commencing on and including April 22, 2016 through and including May 19, 2016, $7.5 million, (3) for the period commencing on and including May 20, 2016 through and including June 3, 2016, $10.0 million and (4) for the period commencing on and including June 4, 2016 and thereafter, the greater of (i) 10.0% of the sum of (x) the lesser of (A) the U.S. borrowing base and (B) the U.S. revolving credit commitments and (y) the lesser of (A) the Canadian borrowing base and (B) the Canadian revolving credit commitments and (ii) $20.0 million, in each case for a period of five consecutive business days until the 30th consecutive day when excess availability exceeds the above threshold.

On February 19, 2016, the Company entered into Amendment No. 3 to Amended and Restated Revolving Credit Agreement ("Amendment No. 3"), which permitted, among other things:

- for the period commencing on and including February 19, 2016 through April 21, 2016, for a cash dominion period to commence, only if excess availability is less than $10.0 million for a period of five consecutive business days (or upon the occurrence and continuance of an event of default), and
- for the period commencing on and including April 22, 2016 through and including May 19, 2016, for a cash dominion period to commence, only if excess availability is less than $7.5 million for a period of five consecutive business days (or upon the occurrence and continuance of an event of default), and
- for the period commencing on and including May 20, 2016 through and including June 3, 2016, for a cash dominion period to commence, only if excess availability is less than $10.0 million for a period of five consecutive business days.

In addition, Amendment No. 3 includes a provision which reduces excess availability in certain circumstances by adding an availability block (i) for the period commencing on and including February 19, 2016 through and including April 21, 2016 $10.0 million, (ii) for the period commencing on and including April 22, 2016 through and including May 19, 2016 $7.5 million, and commencing on and including May 20, 2016 through April 18, 2018 $10.0 million, which would increase to $20.0 million for the period beginning on and including May 20, 2016 through April 18, 2018 in the event all or any portion of the

principal of the Sponsor Secured Note (as defined below) is repaid prior to the Amended and Restated Revolving Credit Agreement maturity date.

The fixed charge coverage ratio was 1.29:1.00 for the four consecutive fiscal quarter test period ended October 1, 2016 based upon consolidated adjusted EBITDA of $112.4 million in accordance with the Credit Agreement. The Company was in compliance with fixed charge coverage ratio covenant as of October 1, 2016. The Company currently does not expect to trigger the fixed charge coverage ratio test for fiscal year 2016. Should the current economic conditions or other factors described herein cause the Company's results of operations to deteriorate beyond the Company's expectations, the Company may trigger such covenant and, if so triggered, may not be able to satisfy such covenant and be forced to refinance such debt or seek a waiver. Even if new financing is available, it may not be available on terms that are acceptable to the Company. If the Company is required to seek a waiver, the Company may be required to pay significant amounts to the lenders under its ABL facilities to obtain such a waiver.

As of October 1, 2016, there was $80.0 million drawn under the Company's ABL facilities and $61.3 million available for additional borrowings. The weighted average per annum interest rate applicable to borrowings under the U.S. portion and the Canadian portion of the ABL facilities was 3.26% and 4.75%, respectively, as of October 1, 2016. The Company had letters of credit outstanding of $22.3 million as of October 1, 2016 primarily securing insurance policy deductibles, certain lease facilities and the Company's purchasing card program. As of October 1, 2016, the revolving credit agreement under the Company's ABL facilities will be due in less than twelve months. As a result, all outstanding borrowing drawn under the Company's ABL facilities were classified as a component of total current liabilities on the Condensed Consolidated Balance Sheets.

In addition to the financial covenant described above, certain incurrences of debt and investments require compliance with financial covenants under the Amended and Restated Revolving Credit Agreement and the Indenture. The breach of any of these covenants could result in a default under the Amended and Restated Revolving Credit Agreement and the Indenture, and the lenders or note holders, as applicable, could elect to declare all amounts borrowed due and payable. See Part I, Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016. The Company is in compliance with such financial covenants as of October 1, 2016.

First Lien Promissory Note

On February 19, 2016, the Company, the other borrowers, AMHNF and Holdings, and H&F Finco LLC ("H&F Finco"), an affiliate of Hellman & Friedman LLC, entered into a first lien promissory note (the "Sponsor Secured Note"), $20.0 million to the U.S. borrowers, AMHNF and Holdings and $7.5 million to the Canadian borrowers. The Sponsor Secured Note bears interest at the LIBOR rate plus 4.25%, with a LIBOR floor of 1%, and matures at the earlier of (i) June 18, 2018 and (ii) 30 days prior to the maturity date of the Company's 9.125% notes. Prepayment of the Sponsor Secured Note is required if (i) excess availability on the date of such payment (prior to giving effect thereto) is no less than $60.0 million and (ii) excess availability on the date of such payment (immediately after giving effect thereto) and the projected daily average excess availability for the thirty-day period immediately following the date of such payment is, in each case, no less than $32.5 million. The Sponsor Secured Note is subject to the same covenants and events of default contained in the Amended and Restated Revolving Credit Agreement and certain additional customary covenants and events of default.

The Sponsor Secured Note is guaranteed by the same guarantors and to the same extent as such guarantors guarantee the obligations of the Company under the Amended and Restated Revolving Credit Agreement. The obligations of the Company, AMHNF, Holdings and the guarantors under the Sponsor Secured Note are secured on a pari passu basis to the liens and assets securing the obligations under the Amended and Restated Revolving Credit Agreement (the "ABL Shared Collateral"), subject to the applicable intercreditor agreement. Concurrently with entering into the Sponsor Secured Note, the Company, the other borrowers, AMHNF, Holdings and the guarantors under the Sponsor Secured Note entered into a revolving loan intercreditor agreement with H&F Finco, as the subordinated debt representative and UBS AG, Stamford Branch and UBS AG Canada Branch, as the senior representatives which subordinates the lien of H&F Finco to the lien of the senior representative and the senior lenders under the Amended and Restated Revolving Credit Agreement in respect of any right of payment from the proceeds of any sale or disposition of ABL Shared Collateral.

8. Income Taxes

The Company's provision for income taxes in interim periods is computed by applying the appropriate estimated annual effective tax rates to income or loss before income taxes for the period. The Company adjusts its effective tax rate each quarter to be consistent with the estimated annual effective tax rate and records the tax impact of certain unusual or infrequently

occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur.

The components of the effective tax rate are as follows (in thousands, except percentage):

	Quarters Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Income (loss) before income taxes	$ 2,814	$ (3,088)	$ (20,731)	$ (43,785)
Income tax expense	2,996	2,116	5,777	4,879
Effective tax rate	106.5%	(68.5)%	(27.9)%	(11.1)%

The effective tax rates for the quarters and nine months ended October 1, 2016 and October 3, 2015 vary from the statutory rate primarily as a result of operating losses in the U.S. with no tax benefit recognized due to the valuation allowance against net U.S. deferred tax assets, tax expense on foreign income, as well as adjustments made to deferred tax liabilities as a result of tax rate and applicable tax law changes in certain jurisdictions.

9. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended October 1, 2016 and October 3, 2015, respectively, are as follows (in thousands):

	Defined Benefit Pension and Other Postretirement Plans	Foreign Currency Translation	Accumulated Other Comprehensive Loss
Balance at January 2, 2016	$ (18,901)	$ (68,006)	$ (86,907)
Other comprehensive income before reclassifications, net of tax of $0	—	9,254	9,254
Amounts reclassified from accumulated other comprehensive loss, net of tax of $42	51	—	51
Balance at October 1, 2016	$ (18,850)	$ (58,752)	$ (77,602)

	Defined Benefit Pension and Other Postretirement Plans	Foreign Currency Translation	Accumulated Other Comprehensive Loss
Balance at January 3, 2015	$ (23,781)	$ (36,842)	$ (60,623)
Other comprehensive loss before reclassifications, net of tax of $0	—	(21,624)	(21,624)
Amounts reclassified from accumulated other comprehensive loss, net of tax of $51	444	—	444
Balance at October 3, 2015	$ (23,337)	$ (58,466)	$ (81,803)

Reclassifications out of accumulated other comprehensive loss for the quarters and nine months ended October 1, 2016 and October 3, 2015, respectively, consist of the following (in thousands):

	Quarters Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Defined Benefit Pension and Other Postretirement Plans:				
Amortization of unrecognized prior service costs	$ 6	$ 7	$ 19	$ 20
Amortization of unrecognized cumulative actuarial net loss	25	158	74	475
Total before tax	31	165	93	495
Tax benefit	(14)	(20)	(42)	(51)
Net of tax	$ 17	$ 145	$ 51	$ 444

Amortization of prior service costs and actuarial losses are included in the computation of net periodic benefit cost for the Company’s pension and other postretirement benefit plans.

10. Retirement Plans

The Company sponsors defined benefit pension plans for certain of its domestic employees (the "Domestic Plans") and Canadian employees (the "Foreign Plans"). The Company also provides postretirement benefits other than pension ("OPEB plans") for certain of its domestic and foreign employees at various locations. The actuarial valuation measurement date for the defined pension plans and postretirement benefits other than pension is December 31st of the relevant year.

Components of net periodic benefit cost for the Company's pension and other postretirement benefit plans are as follows (in thousands):

	Quarters Ended					
	October 1, 2016			October 3, 2015		
	Domestic Plans	Foreign Plans	OPEB Plans	Domestic Plans	Foreign Plans	OPEB Plans
Service cost	$ 316	$ 634	$ 3	$ 330	$ 610	$ 4
Interest cost	826	788	32	805	753	43
Expected return on assets	(853)	(852)	—	(972)	(893)	—
Amortization of unrecognized:						
Prior service costs (credits)	2	5	(1)	2	6	(1)
Cumulative actuarial net loss (gains)	21	49	(45)	105	57	(4)
Net periodic benefit cost	$ 312	$ 624	$ (11)	$ 270	$ 533	$ 42

	Nine Months Ended					
	October 1, 2016			October 3, 2015		
	Domestic Plans	Foreign Plans	OPEB Plans	Domestic Plans	Foreign Plans	OPEB Plans
Service cost	$ 947	$ 1,897	$ 9	$ 992	$ 1,900	$ 10
Interest cost	2,480	2,356	95	2,417	2,346	130
Expected return on assets	(2,561)	(2,547)	—	(2,918)	(2,783)	—
Amortization of unrecognized:						
Prior service costs (credits)	8	16	(5)	8	17	(5)
Cumulative actuarial net loss (gains)	62	148	(136)	313	176	(14)
Net periodic benefit cost	$ 936	$ 1,870	$ (37)	$ 812	$ 1,656	$ 121

11. Commitments and Contingencies

During the ordinary course of business the Company may be involved in litigation, which may result from environmental claims, product liability claims and other claims. Insurance coverage is maintained to minimize the Company's potential exposure to such losses. As of October 1, 2016, after considering existing insurance coverage, there are no claims, either individually or in aggregate, that have a material adverse effect on the Company's financial position, results of operation or liquidity.

12. Subsidiary Guarantors

The Company's payment obligations under its 9.125% notes are fully and unconditionally guaranteed, jointly and severally, on a senior basis, by its domestic 100% owned subsidiaries, Gentek Holdings, LLC and Gentek Building Products, Inc. (together, the "Subsidiary Guarantors"). AMH New Finance, Inc. is a co-issuer of the 9.125% notes and is a domestic 100% owned subsidiary of the Company having no operations, revenues or cash flows for the periods presented.

Associated Materials Canada Limited, Gentek Canada Holdings Limited and Gentek Buildings Products Limited Partnership are Canadian companies and do not guarantee the 9.125% notes. In the opinion of management, separate financial statements of the respective Subsidiary Guarantors would not provide additional material information that would be useful in assessing the financial composition of the Subsidiary Guarantors.

ASSOCIATED MATERIALS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
October 1, 2016
(Unaudited, in thousands)

	Company	Co-Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Reclassification/ Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ 9,286	$ —	$ —	$ 3,892	$ —	$ 13,178
Accounts receivable, net	123,642	—	7,262	31,254	—	162,158
Intercompany receivables	325,105	—	72,100	—	(397,205)	—
Inventories	98,010	—	7,963	34,205	—	140,178
Income taxes receivable	—	—	224	428	—	652
Deferred income taxes	244	—	1,258	—	—	1,502
Prepaid expenses and other current assets	10,568	—	933	1,231	—	12,732
Total current assets	566,855	—	89,740	71,010	(397,205)	330,400
Property, plant and equipment, net	60,206	—	1,186	25,635	—	87,027
Goodwill	203,841	—	16,713	86,799	—	307,353
Other intangible assets, net	270,126	—	32,296	81,227	—	383,649
Intercompany receivable	—	831,630	—	—	(831,630)	—
Other assets	2,911	—	48	923	—	3,882
Total assets	$ 1,103,939	$ 831,630	$ 139,983	$ 265,594	$ (1,228,835)	$ 1,112,311
Liabilities and Member's Deficit						
Current liabilities:						
Accounts payable	$ 75,350	$ —	$ 5,839	$ 28,416	$ —	$ 109,605
Intercompany payables	—	—	—	397,205	(397,205)	—
Accrued liabilities	87,599	—	5,044	9,009	—	101,652
Borrowings under ABL facilities	73,500	—	—	6,500	—	80,000
Deferred income taxes	1,193	—	—	459	—	1,652
Income taxes payable	(75)	—	156	4,577	—	4,658
Total current liabilities	237,567	—	11,039	446,166	(397,205)	297,567
Deferred income taxes	50,148	—	11,920	21,159	—	83,227
Other liabilities	76,643	—	19,482	15,665	—	111,790
Deficit in subsidiaries	127,105	—	224,647	—	(351,752)	—
Long-term debt	843,851	831,630	—	7,251	(831,630)	851,102
Member’s deficit	(231,375)	—	(127,105)	(224,647)	351,752	(231,375)
Total liabilities and member’s deficit	$ 1,103,939	$ 831,630	$ 139,983	$ 265,594	$ (1,228,835)	$ 1,112,311

ASSOCIATED MATERIALS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME
For the Quarter Ended October 1, 2016
(Unaudited, in thousands)

	Company	Co-Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Reclassification/ Eliminations	Consolidated
Net sales	$ 263,614	$ —	$ 40,011	$ 78,845	$ (49,988)	$ 332,482
Cost of sales	201,049	—	35,745	57,937	(49,988)	244,743
Gross profit	62,565	—	4,266	20,908	—	87,739
Selling, general and administrative expenses	50,324	—	1,569	11,499	—	63,392
Other operating income	(87)	—	—	(71)	—	(158)
Income from operations	12,328	—	2,697	9,480	—	24,505
Interest expense, net	21,218	—	—	168	—	21,386
Foreign currency loss	—	—	—	305	—	305
(Loss) income before income taxes	(8,890)	—	2,697	9,007	—	2,814
Income tax expense	532	—	—	2,464	—	2,996
(Loss) income before equity income from subsidiaries	(9,422)	—	2,697	6,543	—	(182)
Equity income from subsidiaries	9,242	—	6,544	—	(15,786)	—
Net (loss) income	(180)	—	9,241	6,543	(15,786)	(182)
Other comprehensive (loss) income:						
Pension and other postretirement benefit adjustments, net of tax	12	—	(5)	40	(30)	17
Foreign currency translation adjustments, net of tax	(3,193)	—	(3,193)	(3,193)	6,386	(3,193)
Total comprehensive (loss) income	$ (3,361)	$ —	$ 6,043	$ 3,390	$ (9,430)	$ (3,358)

ASSOCIATED MATERIALS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME
For the Nine Months Ended October 1, 2016
(Unaudited, in thousands)

	Company	Co-Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Reclassification/ Eliminations	Consolidated
Net sales	$ 720,182	$ —	$ 114,128	$ 199,144	$ (140,902)	$ 892,552
Cost of sales	555,455	—	103,576	147,626	(140,902)	665,755
Gross profit	164,727	—	10,552	51,518	—	226,797
Selling, general and administrative expenses	144,983	—	5,477	33,527	—	183,987
Restructuring costs	74	—	—	—	—	74
Other operating income	(819)	—	—	(71)	—	(890)
Income from operations	20,489	—	5,075	18,062	—	43,626
Interest expense, net	63,401	—	—	486	—	63,887
Foreign currency loss	—	—	—	470	—	470
(Loss) income before income taxes	(42,912)	—	5,075	17,106	—	(20,731)
Income tax expense (benefit)	1,217	—	(45)	4,605	—	5,777
(Loss) income before equity income from subsidiaries	(44,129)	—	5,120	12,501	—	(26,508)
Equity income from subsidiaries	17,621	—	12,501	—	(30,122)	—
Net (loss) income	(26,508)	—	17,621	12,501	(30,122)	(26,508)
Other comprehensive income (loss):						
Pension and other postretirement benefit adjustments, net of tax	51	—	(16)	121	(105)	51
Foreign currency translation adjustments, net of tax	9,254	—	9,254	9,254	(18,508)	9,254
Total comprehensive (loss) income	$ (17,203)	$ —	$ 26,859	$ 21,876	$ (48,735)	$ (17,203)

ASSOCIATED MATERIALS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended October 1, 2016
(Unaudited, in thousands)

	Company	Co-Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Reclassification/Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (21,721)	$ —	$ 19,164	$ 134	$ —	$ (2,423)
Investing Activities						
Capital expenditures	(4,715)	—	(127)	(1,876)	—	(6,718)
Proceeds from the sale of assets	1,470	—	—	4	—	1,474
Payments on loans to affiliates	—	—	(19,189)	—	19,189	—
Receipts on loans to affiliates	—	—	—	(7,300)	7,300	—
Net cash used in investing activities	(3,245)	—	(19,316)	(9,172)	26,489	(5,244)
Financing Activities						
Borrowings under ABL facilities	72,500	—	—	60,289	—	132,789
Payments under ABL facilities	(89,900)	—	—	(55,749)	—	(145,649)
Issuance of promissory notes	20,000	—	—	7,500	—	27,500
Financing costs	(3,193)	—	—	(10)	—	(3,203)
Borrowings from affiliates	26,489	—	—	—	(26,489)	—
Net cash provided by financing activities	25,896	—	—	12,030	(26,489)	11,437
Effect of exchange rate changes on cash and cash equivalents	—	—	—	14	—	14
Net increase (decrease) in cash and cash equivalents	930	—	(152)	3,006	—	3,784
Cash and cash equivalents at beginning of period	8,356	—	152	886	—	9,394
Cash and cash equivalents at end of period	$ 9,286	$ —	$ —	$ 3,892	$ —	$ 13,178

ASSOCIATED MATERIALS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
January 2, 2016
(Unaudited, in thousands)

	Company	Co-Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Reclassification/ Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ 8,356	$ —	$ 152	$ 886	$ —	$ 9,394
Accounts receivable, net	103,506	—	6,903	16,634	—	127,043
Intercompany receivables	352,323	—	67,591	1,794	(421,708)	—
Inventories	88,440	—	5,527	29,407	—	123,374
Income taxes receivable	—	—	178	1,434	—	1,612
Deferred income taxes	243	—	1,258	1	—	1,502
Prepaid expenses and other current assets	12,114	—	955	1,094	—	14,163
Total current assets	564,982	—	82,564	51,250	(421,708)	277,088
Property, plant and equipment, net	65,277	—	1,303	24,214	—	90,794
Goodwill	203,841	—	16,713	82,354	—	302,908
Other intangible assets, net	285,115	—	32,633	80,205	—	397,953
Intercompany receivable	—	832,684	—	—	(832,684)	—
Other assets	3,572	—	1	1,020	—	4,593
Total assets	$ 1,122,787	$ 832,684	$ 133,214	$ 239,043	$ (1,254,392)	$ 1,073,336
Liabilities and Member's Deficit						
Current liabilities:						
Accounts payable	$ 68,213	$ —	$ 4,183	$ 19,167	$ —	$ 91,563
Intercompany payables	1,794	—	—	419,914	(421,708)	—
Accrued liabilities	71,446	—	4,876	7,308	—	83,630
Deferred income taxes	—	—	—	436	—	436
Income taxes payable	36	—	—	—	—	36
Total current liabilities	141,489	—	9,059	446,825	(421,708)	175,665
Deferred income taxes	50,147	—	11,920	20,035	—	82,102
Other liabilities	76,641	—	19,676	16,806	—	113,123
Deficit in subsidiaries	153,964	—	246,523	—	(400,487)	—
Long-term debt	914,907	832,684	—	1,900	(832,684)	916,807
Member’s deficit	(214,361)	—	(153,964)	(246,523)	400,487	(214,361)
Total liabilities and member’s deficit	$ 1,122,787	$ 832,684	$ 133,214	$ 239,043	$ (1,254,392)	$ 1,073,336

ASSOCIATED MATERIALS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME
For the Quarter Ended October 3, 2015
(Unaudited, in thousands)

	Company	Co-Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Reclassification/ Eliminations	Consolidated
Net sales	$ 267,732	$ —	$ 44,388	$ 78,243	$ (50,576)	$ 339,787
Cost of sales	207,494	—	41,978	59,187	(50,576)	258,083
Gross profit	60,238	—	2,410	19,056	—	81,704
Selling, general and administrative expenses	49,447	—	1,759	10,185	—	61,391
Restructuring Costs	1,787	—	—	—	—	1,787
Income from operations	9,004	—	651	8,871	—	18,526
Interest expense, net	19,008	—	1,616	184	—	20,808
Foreign currency loss	—	—	—	806	—	806
(Loss) income before income taxes	(10,004)	—	(965)	7,881	—	(3,088)
Income tax expense	20	—	13	2,083	—	2,116
(Loss) income before equity income from subsidiaries	(10,024)	—	(978)	5,798	—	(5,204)
Equity income from subsidiaries	4,820	—	5,798	—	(10,618)	—
Net (loss) income	(5,204)	—	4,820	5,798	(10,618)	(5,204)
Other comprehensive income (loss):						
Pension and other postretirement benefit adjustments, net of tax	145	—	55	45	(100)	145
Foreign currency translation adjustments, net of tax	(8,659)	—	(8,659)	(8,659)	17,318	(8,659)
Total comprehensive (loss) income	$ (13,718)	$ —	$ (3,784)	$ (2,816)	$ 6,600	$ (13,718)

ASSOCIATED MATERIALS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME
For the Nine Months Ended October 3, 2015
(Unaudited, in thousands)

	Company	Co-Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Reclassification/ Eliminations	Consolidated
Net sales	$ 709,642	$ —	$ 117,128	$ 202,968	$ (138,336)	$ 891,402
Cost of sales	558,120	—	111,785	155,211	(138,336)	686,780
Gross profit	151,522	—	5,343	47,757	—	204,622
Selling, general and administrative expenses	146,298	—	5,129	30,600	—	182,027
Restructuring Costs	1,787	—	—	—	—	1,787
Income from operations	3,437	—	214	17,157	—	20,808
Interest expense, net	57,072	—	4,939	659	—	62,670
Foreign currency loss	—	—	—	1,923	—	1,923
(Loss) income before income taxes	(53,635)	—	(4,725)	14,575	—	(43,785)
Income tax expense	925	—	90	3,864	—	4,879
(Loss) income before equity income from subsidiaries	(54,560)	—	(4,815)	10,711	—	(48,664)
Equity income from subsidiaries	5,896	—	10,711	—	(16,607)	—
Net (loss) income	(48,664)	—	5,896	10,711	(16,607)	(48,664)
Other comprehensive income (loss):						
Pension and other postretirement benefit adjustments, net of tax	444	—	173	143	(316)	444
Foreign currency translation adjustments, net of tax	(21,624)	—	(21,624)	(21,624)	43,248	(21,624)
Total comprehensive (loss) income	$ (69,844)	$ —	$ (15,555)	$ (10,770)	$ 26,325	$ (69,844)

ASSOCIATED MATERIALS, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended October 3, 2015
(Unaudited, in thousands)

	Company	Co-Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Reclassification/Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (31,035)	$ —	$ 15,531	$ 6,962	$ —	$ (8,542)
Investing Activities						
Capital expenditures	(13,160)	—	(113)	(1,355)	—	(14,628)
Proceeds from the sale of assets	138	—	—	2	—	140
Payments on loans to affiliates	—	—	(15,418)	(25,000)	40,418	—
Receipts on loans to affiliates	2,000	—	—	14,000	(16,000)	—
Net cash used in investing activities	(11,022)	—	(15,531)	(12,353)	24,418	(14,488)
Financing Activities						
Borrowings under ABL facilities	71,700	—	—	64,031	—	135,731
Payments under ABL facilities	(54,700)	—	—	(55,953)	—	(110,653)
Borrowings from affiliates	40,418	—	—	—	(40,418)	—
Repayments to affiliates	(14,000)			(2,000)	16,000	—
Net cash provided by financing activities	43,418	—	—	6,078	(24,418)	25,078
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(70)	—	(70)
Net increase in cash and cash equivalents	1,361	—	—	617	—	1,978
Cash and cash equivalents at beginning of period	5,933	—	—	30	—	5,963
Cash and cash equivalents at end of period	$ 7,294	$ —	$ —	$ 647	$ —	$ 7,941

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited consolidated financial statements and related notes thereto included elsewhere in this quarterly report on Form 10-Q. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 and under Part II, Item 1A. "Risk Factors" or elsewhere in this report.

Overview

Associated Materials, LLC ("we," "us," "our" or "our Company") is a leading, vertically integrated manufacturer and distributor of exterior residential building products in the United States and Canada. We were founded in 1947 when we first introduced residential aluminum siding under the Alside® name. We offer a comprehensive range of exterior building products, including vinyl windows, vinyl siding, aluminum trim coil, aluminum and steel siding and related accessories, which we produce at our 11 manufacturing facilities. We also sell complementary products that we source from a network of manufacturers, such as roofing materials, cladding materials, insulation, exterior doors and equipment and tools. We also provide installation services. We distribute these products through our extensive dual-distribution network to over 50,000 professional exterior contractors, builders and dealers, whom we refer to as our "contractor customers." This dual distribution network consists of 124 company-operated supply centers, through which we sell directly to our contractor customers, and our direct sales channel. Through our direct sales channel we sell to more than 260 independent distributors, dealers and national account customers. The products we sell are primarily marketed under our brand names, including Alside®, Revere®, Gentek®, Preservation® and Alpine®.

Because most of our building products are intended for exterior use, our sales and operating profits tend to be lower during periods of inclement weather. Weather conditions in the first quarter of each calendar year usually result in that quarter producing significantly less net sales and net cash flows from operations than in any other period of the year. Consequently, we have historically had losses or small profits in the first quarter and lower profits from operations in the fourth quarter of each calendar year. To meet seasonal cash flow needs during the periods of reduced sales and net cash flows from operations, we generally utilize our revolving credit facilities and repay such borrowings in periods of higher cash flow. We typically generate the majority of our cash flow in the third and fourth quarters.

Net sales for the quarter ended October 1, 2016 were $332.5 million, representing a decrease of $7.3 million, or 2.1%, compared to $339.8 million for the same period in 2015. The decrease was primarily driven by lower sales volume.

Gross profit for the quarter ended October 1, 2016 was $87.7 million, or 26.4% of net sales, compared to $81.7 million, or 24.0% of net sales, for the same period in 2015. Compared to the prior year quarter, we achieved an approximate 240 basis point increase in gross profit margin as a result of our continued focus on driving profitability through our integrated product offerings as well as the impact of favorable material costs experienced in 2016 as compared to the same period in 2015.

Selling, general and administrative ("SG&A") expenses for the quarter ended October 1, 2016 were $63.4 million, an increase of approximately $2.0 million, or 3.3%, compared to $61.4 million for the same period in 2015. SG&A expenses as a percentage of sales was 19.1% for the quarter ended October 1, 2016 and 18.1% for the same period in 2015.

Income from operations was $24.5 million for the quarter ended October 1, 2016, an increase of $6.0 million, compared to $18.5 million for the quarter ended October 3, 2015, as a result of higher gross profit.

Results of Operations

The following table sets forth our results of operations for the periods indicated (in thousands):

	Quarters Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Net sales (1)	$ 332,482	$ 339,787	$ 892,552	$ 891,402
Cost of sales	244,743	258,083	665,755	686,780
Gross profit	87,739	81,704	226,797	204,622
Selling, general and administrative expenses	63,392	61,391	183,987	182,027
Restructuring costs	—	1,787	74	1,787
Other operating income	(158)	—	(890)	—
Income from operations	24,505	18,526	43,626	20,808
Interest expense	21,386	20,808	63,887	62,670
Foreign currency loss	305	806	470	1,923
Income (loss) before income taxes	2,814	(3,088)	(20,731)	(43,785)
Income tax expense	2,996	2,116	5,777	4,879
Net loss	$ (182)	$ (5,204)	$ (26,508)	$ (48,664)
Other data:				
EBITDA (2)	$ 33,982	$ 27,809	$ 72,604	$ 48,901
Adjusted EBITDA (2)	$ 35,373	$ 33,962	$ 74,078	$ 58,091

(1) The following table presents a summary of net sales by principal product offering as a percentage of net sales (dollars in thousands):

	Quarters Ended				Nine Months Ended			
	October 1, 2016	% of Net Sales	October 3, 2015	% of Net Sales	October 1, 2016	% of Net Sales	October 3, 2015	% of Net Sales
Vinyl windows	$ 117,551	35.4%	$ 115,637	34.0%	$ 322,360	36.1%	$ 315,278	35.4%
Vinyl siding products	57,331	17.2%	59,593	17.5%	151,486	17.0%	153,111	17.2%
Metal products	40,767	12.3%	44,022	13.0%	109,840	12.3%	114,266	12.8%
Third-party manufactured products	79,434	23.9%	85,521	25.2%	207,970	23.3%	213,991	24.0%
Other products and services	37,399	11.2%	35,014	10.3%	100,896	11.3%	94,756	10.6%
	$ 332,482	100.0%	$ 339,787	100.0%	$ 892,552	100.0%	$ 891,402	100.0%

(2) EBITDA is calculated as net income plus interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted to reflect certain adjustments that are used in calculating covenant compliance under the Amended and Restated Revolving Credit Agreement governing our senior secured asset-based revolving credit facilities (the “ABL facilities”), and the Indenture and the Sponsor Secured Note. We consider EBITDA and Adjusted EBITDA to be important indicators of our operational strength and performance of our business. We have included Adjusted EBITDA because it is a key financial measure used by our management to (i) assess our ability to service our debt or incur debt and meet our capital expenditure requirements; (ii) internally measure our operating performance; and (iii) determine our incentive compensation programs. EBITDA and Adjusted EBITDA have not been prepared in accordance with U.S. general accepted accounting principles (“GAAP”). Adjusted EBITDA as presented by us may not be comparable to similarly titled measures reported by other companies. EBITDA and Adjusted EBITDA are not measures determined in accordance with GAAP and should not be considered as an alternative to, or more meaningful than, net income (as determined in accordance with GAAP) as a measure of our operating results or net cash provided by operating activities (as determined in accordance with GAAP) as a measure of our liquidity.

The reconciliation of our net loss to EBITDA and Adjusted EBITDA is as follows (in thousands):

	Quarters Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Net loss	$ (182)	$ (5,204)	$ (26,508)	$ (48,664)
Interest expense	21,386	20,808	63,887	62,670
Income tax expense	2,996	2,116	5,777	4,879
Depreciation and amortization	9,782	10,089	29,448	30,016
EBITDA	33,982	27,809	72,604	48,901
Purchase accounting related adjustments (a)	(857)	(852)	(2,568)	(2,603)
Restructuring related costs (b)	—	4,035	74	4,035
Executive officer separation and hiring costs (c)	—	618	155	770
Bank audit fees (d)	—	91	71	167
Gain on disposal or write-off of assets	(27)	(48)	(51)	(45)
Stock-based compensation expense (e)	59	54	189	129
Other normalizing and unusual items (f)	1,911	1,449	3,134	4,814
Foreign currency loss (g)	305	806	470	1,923
Adjusted EBITDA	$ 35,373	$ 33,962	$ 74,078	$ 58,091

(a) Represents the elimination of the impact of purchase accounting adjustments recorded as a result of a series of mergers completed on October 13, 2010, which include the following (in thousands):

	Quarters Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Pension expense adjustment	$ (625)	$ (624)	$ (1,873)	$ (1,889)
Amortization related to fair value adjustment of leased facilities	(55)	(52)	(165)	(182)
Amortization related to warranty liabilities	(177)	(176)	(530)	(532)
Total	$ (857)	$ (852)	$ (2,568)	$ (2,603)

(b) Represents an adjustment to severance accrual related to prior restructuring events. The $4.0 million restructuring related costs incurred in 2015 consisted primarily of fixed assets impairment costs, write-down of inventory (recorded as a component of cost of sales), lease termination costs and severance costs associated with our 2015 restructuring plan.

(c) Represents separation and hiring costs, including payroll taxes and certain benefits and professional fees.

(d) Represents bank audit fees incurred under our ABL facilities.

(e) Represents equity-based compensation related to restricted shares and deferred stock units issued to certain of our directors and officers.

(f) Represents the following (in thousands):

	Quarters Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Professional fees and other costs (i)	$ 1,095	$ 1,062	$ 1,444	$ 2,989
Accretion on lease liability (ii)	119	170	350	322
Excess severance costs (iii)	113	66	411	138
Insurance deductible (iv)	—	100	—	100
Excess legal expense (v)	584	51	929	1,265
Total	$ 1,911	$ 1,449	$ 3,134	$ 4,814

(i) Represents management's estimate of unusual consulting and advisory fees and other costs associated with corporate strategic initiatives. In addition, we incurred costs of $0.3 million and $1.3 million, respectively, for

the quarter and nine months ended October 3, 2015 related to the continued roll out of the new window platforms in 2015. This initiative was substantially complete as of January 2, 2016.

(ii) Represents accretion on the liability recorded at present value for future lease costs in connection with the warehouse facility adjacent to our Ennis manufacturing plant, which we discontinued using during 2009.

(iii) Represents management's estimates for excess severance expense, primarily due to unusual changes within non-executive management.

(iv) In 2015, we incurred $0.1 million in insurance deductible related to theft at our Point Claire facility.

(v) Represents excess legal expense incurred primarily in connection with the defense of actions filed by plaintiffs.

(g) Represents foreign currency (gain) loss recognized in the Condensed Consolidated Statements of Comprehensive Income (Loss), including (gain) loss on foreign currency exchange hedges.

Quarter Ended October 1, 2016 Compared to Quarter Ended October 3, 2015

Net sales were $332.5 million for the quarter ended October 1, 2016, a decrease of $7.3 million, or 2.1%, compared to $339.8 million for the same period in 2015. The decrease was primarily attributed to lower sales in third party manufactured products, metal products, and vinyl siding products. On a constant currency basis, our net sales for the quarter ended October 1, 2016 would have been $7.7 million lower compared to the quarter ended October 3, 2015. Compared to the same period in 2015, net sales in third-party manufactured products decreased by $6.1 million, or 7.1%, primarily due to lower roofing sales. Excluding roofing product, net sales of third-party manufactured products increased by $1.0 million, or 1.7%, as compared to the prior year period. In addition, net sales decreased by $3.3 million, or 7.4%, in metal products and by $2.3 million, or 3.8%, in vinyl siding products, primarily driven by a 4.0% decrease in volume. Net sales in our Installed Sales Solutions ("ISS") business, which is a component of our Other products and services offering, increased $2.3 million, or 6.9%, and vinyl window sales increased $1.9 million, or 1.7% as compared to the same quarter in 2015.

Gross profit for the quarter ended October 1, 2016 was $87.7 million, or 26.4% of net sales, compared to gross profit of $81.7 million, or 24.0% of net sales, for the same period in 2015. Compared to the prior year quarter, we achieved an approximate 240 basis point improvement in gross profit margin as a result of our continued focus on driving profitability through our integrated products as well as the impact of favorable material costs experienced in 2016 as compared to the same period in 2015. The $6.0 million increase in gross profit as compared to the same period in 2015 was driven primarily by improvement in pricing and sales mix and the impact of a $2.2 million in restructuring related inventory write-downs in the third quarter of 2015 that did not recur in the same period in 2016, offset by lower sales volume.

SG&A expenses were $63.4 million for the quarter ended October 1, 2016, compared to $61.4 million for the same period in 2015. SG&A expenses as a percentage of sales were 19.1% and 18.8%, respectively, for the quarter ended October 1, 2016 and October 3, 2015. The $2.0 million, or 3.3%, increase in SG&A expenses was primarily due to $1.9 million additional employee compensation related expenses and travel expense and $0.7 million higher bad debt expense. The increase in employee compensation expense and travel expense was primarily due to our investment in sales initiatives. The increase in bad debt expense was attributable to additional allowance established for several customers in our independent distribution business. The increase in SG&A expense was offset by $0.7 million lower non-recurring severance and hiring costs as compared to the same period in 2015. Change in foreign currency exchange rate had immaterial impact on SG&A expenses for the quarter ended October 1, 2016 as compared to the same quarter in 2015.

Income from operations was $24.5 million and $18.5 million for the quarters ended October 1, 2016 and October 3, 2015, respectively. The increase was primarily due to higher gross profit in the third quarter of 2016 as compared to the same period in 2015. In addition, income from operations for the quarter ended October 1, 2016 included $0.2 million other operating income primarily resulted from gain on sale of certain assets, whereas income from operations for the same period in 2015 included $1.8 million restructuring related cost.

Interest expense was $21.4 million and $20.8 million for the quarters ended October 1, 2016 and October 3, 2015, respectively. The $0.6 million increase in interest expense was primarily attributed to higher average indebtedness as a result of $27.5 million in promissory notes issued in the first quarter of 2016.

The income tax expense of $3.0 million and $2.1 million for the quarters ended October 1, 2016 and October 3, 2015, reflected effective income tax rates of 106.5% and (68.5)%, respectively. The effective tax rate for both periods vary from the statutory rate, primarily as a result of operating losses in the U.S. with no tax benefit recognized due to the valuation allowance against net U.S. deferred tax assets, tax expense on foreign income, as well as adjustments made to deferred tax liabilities as a result of tax rate and applicable tax law changes in certain jurisdictions.

Net loss for the quarter ended October 1, 2016 was $0.2 million compared to $5.2 million for the same period in 2015.

Nine Months Ended October 1, 2016 Compared to Nine Months Ended October 3, 2015

Net sales were $892.6 million for the nine months ended October 1, 2016, an increase of $1.2 million, or 0.1%, compared to $891.4 million for the same period in 2015. On a constant currency basis, our net sales for the nine months ended October 1, 2016 would have been $5.6 million, or 0.6%, higher as compared to the same period in 2015. Net sales increased $7.1 million, or 2.2%, for vinyl windows and $5.8 million, or 6.5%, for our ISS business, compared to the prior year period. The increase in net sales for our vinyl window products was primarily attributable to favorable pricing and mix. Compared to the same period in 2015, vinyl window sales volume decreased by approximately 1.7%. The increase in net sales for our ISS business was attributed to our continued effort to expand our services both in existing and new markets. Net sales for our third-party manufactured product decreased by $6.0 million, or 2.8%, primarily driven by a $10.8 million, or 17.5%, decline in roofing sales as compared to the same period in 2015. Excluding roofing product, net sales of third-party manufactured products increased by $4.8 million, or 3.1% as compared to the prior year period. Metal product sales decreased by $4.4 million, or 3.9% as compared to the prior year period. Net sales for vinyl siding products decreased by $1.6 million, or 1.1%, as compared to the prior year period primarily driven by 1.0% decrease in volume.

Gross profit for the nine months ended October 1, 2016 was $226.8 million, or 25.4% of net sales, compared to gross profit of $204.6 million, or 23.0% of net sales, for the same period in 2015. Compared to the prior year period, we achieved an approximate 240 basis point improvement in gross profit margin as a result of our continued focus on driving profitability through our integrated products. The $22.2 million increase in gross profit was related to approximately $30.9 million in improved pricing and sales mix combined with lower material costs. The increase was partially offset by $5.9 million decrease in gross profit due to lower sales volume and $2.7 million unfavorable foreign currency impact due to a weaker Canadian dollar as compared to the same period in 2015. In addition, 2015 gross profit was negatively impacted by approximately $2.2 million in restructuring related inventory write-downs as a result of our strategic supply center restructuring initiative implemented in the third quarter of 2015 that did not recur in the same period in 2016.

SG&A expenses were $184.0 million, or 20.6% of net sales, for the nine months ended October 1, 2016, compared to $182.0 million, or 20.4% of net sales, for the same period in 2015. SG&A expense increased by $2.0 million, or 1.1%, primarily driven by $3.5 million higher employee compensation related expenses, $0.9 million higher travel expense, and $0.5 million higher bad debt expense. The increase in employee compensation expense and travel expense was primarily due to our investment in sales initiatives. The increase in bad debt expense was attributable to additional allowance established for several customers in our independent distribution business. The increase in SG&A expense was offset by $1.9 million lower non-recurring costs which included primarily a $1.2 million in legal costs for a lawsuit that was settled in the third quarter of 2015 which did not recur in 2016 and $0.8 million one-time severance and hiring costs. Further, a weaker Canadian dollar favorably impacted SG&A expenses by approximately $1.2 million, as compared to the same period in 2015.

Income from operations was $43.6 million for the nine months ended October 1, 2016, compared to $20.8 million for the nine months ended October 3, 2015 primarily due to higher gross profit in 2016 as compared to the same year-to-date period in 2015. In addition, income from operations for the nine months ended October 1, 2016 included $0.9 million other operating income resulting from gain on sale of certain assets, and income from operations for the same period in 2015 included $1.8 million restructuring related costs that did not recur in 2016.

Interest expense was $63.9 million and $62.7 million for the nine months ended October 1, 2016 and October 3, 2015, respectively. The $1.2 million increase in interest expense was primarily attributed to higher average indebtedness as a result of $27.5 million promissory notes issued in the first quarter of 2016.

The income tax expense for each nine-month period ended October 1, 2016 and October 3, 2015 was $5.8 million and $4.9 million, respectively, which reflected negative effective income tax rates of 27.7% and 11.1%, respectively. The lower than statutory effective tax rate for both periods was primarily a result of operating losses in the U.S. with no tax benefit recognized due to the valuation allowance against net U.S. deferred tax assets, tax expense on foreign income, as well as adjustments made to deferred tax liabilities as a result of tax rate and applicable tax law changes in certain jurisdictions.

Net loss for the nine months ended October 1, 2016 was $26.7 million compared to $48.7 million for the same period in 2015.

Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than an asset, consistent with the presentation of debt discounts. The recognition and measurement of debt issuance costs are not affected by the new guidance. In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* (“ASU 2015-15”). ASU 2015-15 provides that, given the absence of authoritative guidance in ASU 2015-03 with respect to presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements,

an entity is permitted to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. During fiscal 2016, ASU 2015-03 and ASU 2015-05 became effective and accordingly, debt issuance costs of $8.7 million were reclassified from other assets to long-term debt on the January 2, 2016 Condensed Consolidated Balance Sheet.

Recent Accounting Pronouncements

In August 2016, the FASB issued an amendment to address specific cash flow issues to reduce existing diversity in presenting statement of cash flow. The update clarified how certain cash receipts and cash payments should be presented and classified in the statement of cash flow. The new update is effective commencing with our 2018 fiscal year. The Company is evaluating the potential impact of adoption of this update.

In May and April of 2016, the FASB issued two additional standard updates on the new standard on revenue recognition originally issued in May 2014. These updates do not amend the core principal of revenue recognition guidance. Rather, these updates provide clarifications, narrow-scope improvements and practical expedients in interpreting and adopting of previously issued guidance on revenue recognition issues. These new updates are effective commencing with our 2018 fiscal year. We are evaluating the potential impact of adoption of these updates.

In March 2016, the FASB issued a modified standard on stock compensation. This standard makes several modifications to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. It also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective commencing with our 2017 fiscal year and requires enhanced disclosures. We are currently assessing the potential impact of the new requirements under the standard.

In February 2016, the FASB issued a new standard on leases. The new standard requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by finance and operating leases with lease terms of more than 12 months. The amendment is effective commencing with our 2019 fiscal year and requires enhanced disclosures. We are evaluating the potential impact of adoption of this guidance.

In November 2015, the FASB issued guidance that requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. The guidance is effective commencing with our 2017 fiscal year with early adoption permitted. The guidance is not expected to have a material impact on our balance sheet. We are evaluating the timing of adoption of this guidance.

In July 2015, the FASB issued guidance that requires entities to measure inventory at the lower of cost or net realizable value. The guidance is effective commencing with our 2017 fiscal year with early adoption permitted. The guidance is not expected to have a material impact on our balance sheet. We are evaluating the timing of adoption of this guidance.

In August 2014, the FASB issued a standard on the presentation of "Going Concern" in the financial statements. The standard requires management to evaluate whether there are any conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, and, if present, provide enhanced disclosures. The standard is effective commencing with our 2016 fiscal year. We are evaluating the timing of adoption of this guidance.

Liquidity and Capital Resources

Cash Flows

The following sets forth a summary of our cash flows for the periods indicated (in thousands):

	Nine Months Ended	
	October 1, 2016	**October 3, 2015**
Net cash used in operating activities	$ (2,423)	$ (8,542)
Net cash used in investing activities	(5,244)	(14,488)
Net cash provided by financing activities	11,437	25,078

As of October 1, 2016, we had cash and cash equivalents of $9.3 million and $3.9 million in the United States and Canada, respectively. As of October 1, 2016, we had available borrowing capacity of $61.3 million under our ABL facilities, after giving effect to outstanding letters of credit and borrowing base limitations. We expect that current cash and cash

equivalents, cash generated from operating activities, and borrowing capacity under the ABL facilities will be our principal sources for liquidity. In addition, if needed, we can utilize available baskets under our existing indebtedness to seek access to other working capital sources. As of October 1, 2016, we have engaged in negotiations with prospective lenders to refinance our existing long-term debt, and are expected to consummate the refinancing in the fourth quarter of 2016. However, based on our current level of operations and cash flow projections, as well as our ability, when and if needed, to seek other working capital sources prior to the completion of such refinancing effort, we believe that our resources for cash will provide adequate liquidity to maintain our operations and capital expenditure requirements and service our debt obligations for the next 12 months. Should economic conditions or market factors deteriorate beyond our expectations, we may not be able to generate sufficient cash flow from operations or may not have future borrowings available to us under the ABL facilities in amounts that are sufficient to enable us to repay our indebtedness or to fund our other liquidity needs.

Cash Flows from Operating Activities

Net cash used in operating activities was $2.4 million for the nine months ended October 1, 2016, compared to $8.5 million for the same period in 2015. The $6.1 million reduction in net cash used in operating activities as compared to the same period in 2015 was primarily driven by $22.2 million in lower net loss as a result of improved operation profitability, offset by of $11.5 million in higher spending in working capital. In addition, 2015 net cash used in operating activities included a $4.0 million non-cash restructuring expense related adjustment which did not recur in 2016.

Change in accounts receivable was a use of cash of $35.5 million for the nine months ended October 1, 2016, compared to $42.0 million for the nine months ended October 3, 2015. The $6.5 million net decrease in cash used to fund accounts receivable was primarily driven by lower sales and the timing in customer collections. Change in inventory was a use of cash of $15.1 million for the nine months ended October 1, 2016, compared to $16.0 million for nine months ended October 3, 2015. The lower use of cash in the current year period was primarily driven by working capital initiatives. Change in accounts payable and accrued liabilities was a source of cash of $34.8 million for the nine months ended October 1, 2016, compared to a source of cash of $59.7 million for the nine months ended October 3, 2015. The decrease in cash inflow of $24.9 million from accounts payable and accrued liabilities was primarily attributable to the timing of payments offset by reduction in inventory purchases. Change in income taxes receivable/payable was a source of cash of $5.7 million for the nine months ended October 1, 2016, compared to $0.5 million for the nine months ended October 3, 2015. The $5.2 million increase in cash inflow was driven primarily by improved operation profitability.

Cash Flows from Investing Activities

Net cash used in investing activities consisted of $6.7 million and $14.6 million in capital expenditures during the nine months ended October 1, 2016 and October 3, 2015, respectively. The capital expenditures for the current year period were primarily related to maintenance capital investments at our manufacturing facilities, while the capital expenditures for the prior year period also included capital investments at our window manufacturing facilities to improve efficiency, quality, and production capacity. In addition, proceeds from the sale of assets contributed to $1.5 million in cash during the nine months ended October 1, 2016. Proceeds from the sale of assets for the same period in 2015 was not material.

Cash Flows from Financing Activities

Net cash provided by financing activities for the nine months ended October 1, 2016 decreased by $13.6 million as compared the same period in 2015. The decrease was primarily driven by $37.9 million lower net borrowings under our ABL facilities offset by $27.5 million proceeds from our promissory note issued in 2016. In addition, we used $3.2 million in cash to pay for fees associated with our refinancing effort.

Description of Our Indebtedness

9.125% Senior Secured Notes due 2017

In 2010 and 2013, we and our wholly-owned subsidiary, AMH New Finance, Inc. ("AMHNF", and together with us, the "Issuers") issued $830.0 million in aggregate principal amount of 9.125% Senior Secured Notes (the "9.125% notes"). The 9.125% notes, which are due November 1, 2017, bear interest at a rate of 9.125% per annum, payable May 1st and November 1st of each year. The 9.125% notes are registered under the Security Act of 1933, as amended, and are openly traded. We may, from time to time in our sole discretion, purchase, redeem or retire the 9.125% notes, through tender offer or otherwise, in privately negotiated or open market transactions. As of October 1, 2016, the fair value of the 9.125% note was $805.8 million based on quoted market prices.

The 9.125% notes are unconditionally guaranteed, jointly and severally, by each of the Issuers' 100% owned direct and indirect domestic subsidiaries ("guarantors") that guarantee our obligations under the ABL facilities, described separately below.

The 9.125% notes and the guarantees are secured by a first-priority lien on substantially all of the Issuers' and the guarantors' present and future assets located in the United States (other than the ABL collateral, in which the 9.125% notes and the guarantees have a second-priority lien, and certain other excluded assets), including equipment, certain owned real properties and all or the majority of present and future shares of capital stock of each of the Issuers' and each guarantor's material directly 100% owned domestic subsidiaries and directly owned foreign restricted subsidiaries (other than Canadian subsidiaries), subject to certain permitted exclusions under Rule 3-16 of Regulation S-X and certain other exceptions and customary permitted liens. In addition, the 9.125% notes and the guarantees are secured by a second-priority lien on substantially all of the Issuers' and the guarantors' present and future assets, which assets also secure the Issuers' obligations under the ABL facilities, including accounts receivable, inventory, related general intangibles, certain other related assets and the proceeds thereof.

The Issuers have the option to redeem the 9.125% notes, in whole or in part, at any time during the 12-month periods commencing on November 1, 2015 and 2016 at redemption prices, expressed as percentages of principal amount of the 9.125% notes to be redeemed, of 102.281% and 100.000%, respectively, plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date.

Upon the occurrence of a defined change of control event, the Issuers must give holders of notes the opportunity to sell the Issuers their 9.125% notes at 101% of their face amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The 9.125% note contains covenants limiting the Issuers' ability and the ability of their restricted subsidiaries to, among other things: pay dividends or distributions, repurchase equity, prepay junior debt and make certain investments; incur additional debt or issue certain disqualified stock and preferred stock; incur liens on assets; merge or consolidate with another company or sell all or substantially all assets; enter into transactions with affiliates; and enter into agreements that would restrict our subsidiaries to pay dividends or make other payments to us. These covenants are subject to important exceptions and qualifications as described in the indenture governing the 9.125% note. Most of these covenants will cease to apply for so long as the 9.125% notes have investment grade ratings from both Moody's Investors Service, Inc. and Standard & Poor's. As of October 1, 2016, we are in compliance with the applicable covenants.

For further information on our 9.125% note, see Note 7. "Long-Term Debt" in Part I, Item 1. "Financial Statements" included elsewhere in this Quarterly Report on Form 10-Q.

ABL Facilities

We have the ABL facilities which provides up to $213.0 million (comprised of a $141.5 million U.S. facility and a $71.5 million Canadian facility) pursuant to a Revolving Credit Agreement (the "Revolving Credit Agreement") most recently amended and restated in February 19, 2016. As of October 1, 2016, there was $80.0 million drawn under our ABL facilities and $61.3 million available for additional borrowings. The weighted average per annum interest rate applicable to borrowings under the U.S. facility and the Canadian facility of the ABL facilities was 3.3% and 4.8%, respectively, as of October 1, 2016. We had letters of credit outstanding of $22.3 million as of October 1, 2016 primarily securing insurance policy deductibles, certain lease facilities and our purchasing card program. As of October 1, 2016, the revolving credit agreement under the ABL facilities will be due in less than twelve months. As a result, all outstanding borrowing drawn under the ABL facilities were classified as a component of total current liabilities on the Condensed and Consolidated Balance Sheet.

Borrowings under the ABL facility bears interest, at our option, at the rate equal to (1) the London Interbank Offered Rate ("LIBOR") (for eurodollar loans under the U.S. facility) or the Canadian Dealer Offered Rate ("CDOR") (for loans under the Canadian facility), plus an applicable margin of 2.25% as of October 1, 2016, or (2) the alternate base rate (for alternate base rate loans under the U.S. facility, which is the highest of a prime rate, the Federal Funds Effective Rate plus 0.50% and a one-month LIBOR rate plus 1.0% per annum) or the alternate Canadian base rate (for loans under the Canadian facility, which is the higher of a Canadian prime rate and the 30-day CDOR plus 1.0%), plus an applicable margin of 1.25% as of October 1, 2016, in each case, which interest rate margin may vary in 25 basis point increments between three pricing levels determined by reference to the average excess availability in respect of the U.S. and Canadian revolving credit loans. In addition to paying interest on outstanding principal under the ABL facilities, we are required to pay a commitment fee in respect of the U.S. and Canadian revolving credit loans, payable quarterly in arrears, at 0.375%.

All obligations under the ABL facility, including the U.S. facility and Canadian facility, are guaranteed by each existing and subsequently acquired direct and indirect wholly-owned material restricted subsidiary of us and by our direct parent, other than certain excluded subsidiaries.

All obligations and guarantees under the ABL facility are secured by a security interest in substantially all of our present and future property and assets, including a first-priority security interest in our capital stock and a second-priority security

interest in the capital stock of each of our direct, material wholly-owned restricted subsidiaries, and a security interest in substantially all of our Canadian assets, including a first-priority security interest in the capital stock of the Canadian borrowers and each direct, material wholly-owned restricted subsidiary of the Canadian borrowers and Canadian guarantors.

The Revolving Credit Agreement, as amended and restated in 2016, contains customary representations and warranties and customary affirmative and negative covenants. There are no financial covenants included in the Revolving Credit Agreement as amended, other than a springing fixed charge coverage ratio of at least 1.00 to 1.00. The fixed charge coverage ratio was 1.29:1.00 for the four consecutive fiscal quarter test period ended October 1, 2016 based upon consolidated adjusted EBITDA of 112.4 million in accordance with the Revolving Credit Agreement, as amended. We have not triggered such fixed charge coverage ratio covenant as of October 1, 2016, as excess availability of $50.4 million as of such date was in excess of the covenant trigger threshold. We do not expect to trigger such covenant for fiscal year 2016. Should the current economic conditions or other factors described herein cause our results of operations to deteriorate beyond our expectations, we may trigger such covenant and, if so triggered, may not be able to satisfy such covenant and be forced to refinance such debt or seek a waiver. Even if new financing is available, it may not be available on terms that are acceptable to us. If we are required to seek a waiver, we may be required to pay significant amounts to the lenders under our ABL facilities to obtain such a waiver.

In addition to the financial covenant described above, certain incurrences of debt and investments require compliance with financial covenants under the Revolving Credit Agreement, as amended, and the related indenture. The breach of any of these covenants could result in a default under the Revolving Credit Agreement, as amended, and the related indenture, and the lenders or note holders, as applicable, could elect to declare all amounts borrowed due and payable. See Part 1, Item 1A. “Risk Factors” in our Annual Report. We were in compliance with such financial covenants as of October 1, 2016.

EBITDA is calculated by reference to net income plus interest and amortization of other financing costs, provision for income taxes, depreciation and amortization. Consolidated EBITDA, as defined in the Revolving Credit Agreement, as amended, and the related indenture, is calculated by adjusting EBITDA to reflect adjustments permitted in calculating covenant compliance under these agreements. Consolidated EBITDA will be referred to as Consolidated Adjusted EBITDA herein. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors to demonstrate our ability to comply with our financial covenant.

For further information on our ABL facility, see Note 7. “Long-Term Debt” in Part I, Item 1. “Financial Statements” included elsewhere in this Quarterly Report on Form 10-Q.

First Lien Promissory Note

On February 19, 2016, the Company, the other borrowers, AMHNF and Holdings, and H&F Finco LLC (“H&F Finco”), an affiliate of Hellman & Friedman LLC, entered into a first lien promissory note (the “Sponsor Secured Note”), $20.0 million to the U.S. borrowers, AMHNF and Holdings and $7.5 million to the Canadian borrowers. The Sponsor Secured Note bears interest at the LIBOR rate plus 4.25%, with a LIBOR floor of 1%, and matures at the earlier of (i) June 18, 2018 and (ii) 30 days prior to the maturity date of the Company’s 9.125% notes. Prepayment of the Sponsor Secured Note is required if (i) excess availability on the date of such payment (prior to giving effect thereto) is no less than $60.0 million and (ii) excess availability on the date of such payment (immediately after giving effect thereto) and the projected daily average excess availability for the thirty-day period immediately following the date of such payment is, in each case, no less than $32.5 million. The Sponsor Secured Note is subject to the same covenants and events of default contained in the Amended and Restated Revolving Credit Agreement and certain additional customary covenants and events of default.

The Sponsor Secured Note is guaranteed by the same guarantors and to the same extent as such guarantors guarantee the obligations under our Amended and Restated Revolving Credit Agreement. Our obligations, including those of AMHNF, Holdings and the guarantors under the Sponsor Secured Note are secured on a pari passu basis to the liens and assets securing the obligations under the Amended and Restated Revolving Credit Agreement (the “ABL Shared Collateral”), subject to the applicable intercreditor agreement. Concurrently with entering into the Sponsor Secured Note, we, the other borrowers, AMHNF, Holdings and the guarantors under the Sponsor Secured Note entered into a revolving loan intercreditor agreement with H&F Finco, as the subordinated debt representative and UBS AG, Stamford Branch and UBS AG Canada Branch, as the senior representatives which subordinates the lien of H&F Finco to the lien of the senior representative and the senior lenders under the Amended and Restated Revolving Credit Agreement in respect of any right of payment from the proceeds of any sale or disposition of ABL Shared Collateral.

Effects of Inflation

The principal raw materials used by us are vinyl resin, aluminum, steel, resin stabilizers and pigments, glass, window hardware, and packaging materials, as well as diesel fuel, all of which have historically been subject to price changes. Raw material pricing on our key commodities has fluctuated significantly over the past several years. Our freight costs may also

fluctuate based on changes in gasoline and diesel fuel costs related to our trucking fleet. Our ability to maintain gross margin levels on our products during periods of rising raw material costs and freight costs depends on our ability to obtain selling price increases. Furthermore, the results of operations for individual quarters can and have been negatively impacted by a delay between the timing of raw material cost increases and price increases on our products. There can be no assurance that we will be able to maintain the selling price increases already implemented or achieve any future price increases. At October 1, 2016, we had no raw material hedge contracts in place.

Forward-Looking Statements

All statements (other than statements of historical facts) included in this report regarding the prospects of the industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “predict,” “potential” or “continue” or the negatives of these terms or variations of them or similar terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot provide any assurance that these expectations will prove to be correct. Such statements reflect the current views of our management with respect to our operations, results of operations and future financial performance. The following factors are among those that may cause actual results to differ materially from the forward-looking statements:

- declines in remodeling and home building industries, economic conditions and changes in interest rates, foreign currency exchange rates and other conditions;
- our substantial level of indebtedness and our ability to refinance such indebtedness;
- our ability to comply with certain financial covenants in our debt instruments and the restrictions such covenants impose on our ability to operate our business;
- our ability to generate sufficient cash, or access capital resources, to service all our debt obligations, working capital needs and planned capital expenditures;
- deteriorations in availability of consumer credit, employment trends, levels of consumer confidence and spending and consumer preferences;
- increases in competition from other manufacturers of vinyl and metal exterior residential building products as well as alternative building products;
- our substantial fixed costs;
- delays in the development of new or improved products or our inability to successfully develop new or improved products;
- changes in raw material costs and availability of raw materials and finished goods;
- consolidation of our customers;
- increases in union organizing activity;
- changes in weather conditions;
- our history of operating losses;
- our ability to attract and retain qualified personnel;
- in the event of default under our debt instruments, the ability of creditors under our debt instruments to foreclose on our collateral;
- any impairment of goodwill or other intangible assets;
- future recognition of our deferred tax assets;
- increases in mortgage rates, changes in mortgage interest deductions and the reduced availability of financing;
- our exposure to foreign currency exchange risk;
- our control by investment funds affiliated with Hellman & Friedman, LLC; and
- the other factors discussed under Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 and elsewhere in this Quarterly Report on Form 10-Q.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Other sections of this report may include additional factors that could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. The occurrence of the events described under Part I, Item 1A. “Risk Factors” in

our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 and elsewhere in this Quarterly Report on Form 10-Q could have a material adverse effect on our business, results of operations and financial condition.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statement to actual results or to changes in our expectations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

From time to time, we may have outstanding borrowings under the ABL facilities and may incur additional borrowings for general corporate purposes, including working capital and capital expenditures. As of October 1, 2016, the weighted average per annum interest rates applicable to outstanding revolving loans under the U.S. portion and Canadian portion of the ABL facilities were 3.26% and 4.75%, respectively. In our option, the per annum interest rates applicable under the ABL facilities are approximately equal to either a United States or Canadian adjusted base rate plus an applicable margin ranging from 0.75% to 1.25%, or LIBOR plus an applicable margin ranging from 1.75% to 2.25%, with the applicable margin in each case depending on our quarterly average “excess availability” as defined in the credit facilities.

As of October 1, 2016, we had borrowings outstanding of $80.0 million under the ABL facilities. The effect of a 1.00% increase or decrease in interest rates would increase or decrease the total annual interest expense by $0.8 million.

We have $830.0 million aggregate principal amount of 9.125% notes outstanding as of October 1, 2016 that bear a fixed interest rate of 9.125% and mature in 2017. The fair value of our 9.125% notes is sensitive to changes in interest rates. In addition, the fair value is affected by our overall credit rating, which could be impacted by changes in our future operating results. These 9.125% notes have an estimated fair value of $805.8 million based on quoted market prices as of October 1, 2016.

Foreign Currency Exchange Risk

Our revenues are generated primarily from domestic customers and are realized in U.S. dollars. However, we realize revenues from sales made through our Canadian distribution centers in Canadian dollars. Our Canadian manufacturing facilities acquire raw materials and supplies from U.S. vendors, which results in foreign currency transactional gains and losses upon settlement of the obligations. Payment terms among Canadian manufacturing facilities and these vendors are short-term in nature. We may, from time to time, enter into foreign exchange forward contracts with maturities of less than three months to reduce our exposure to fluctuations in the Canadian dollar. As of October 1, 2016, we were a party to foreign exchange forward contracts for Canadian dollars, the value of which was immaterial.

A 10% strengthening or weakening from the levels experienced during the nine month ended October 1, 2016 of the U.S. dollar relative to the Canadian dollar would have resulted in an approximate $8.6 million decrease or increase, respectively, in comprehensive loss for the nine months ended October 1, 2016.

Commodity Price Risk

See Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Effects of Inflation” for a discussion of the market risk related to our principal raw materials (vinyl resin, aluminum, steel, resin stabilizers and pigments, glass, window hardware and packaging materials) and diesel fuel.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

During the fiscal period covered by this report, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, completed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the fiscal period covered by this report, the disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There have been no changes to our internal control over financial reporting during the quarter ended October 1, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Items 2, 3, 4 and 5 are not applicable or the answer to such items is none; therefore, the items have been omitted and no reference is required in this Quarterly Report on Form 10-Q.

Item 1. Legal Proceedings

We are involved from time to time in litigation arising in the ordinary course of business, none of which, individually or in the aggregate, after giving effect to existing insurance coverage, is expected to have a material adverse effect on our financial position, results of operations or liquidity. From time to time, we are also involved in proceedings and potential proceedings relating to environmental and product liability matters.

Environmental Claims

The Woodbridge, New Jersey facility of our wholly owned subsidiary, Gentek Building Products, Inc. (“Gentek”), is currently the subject of an investigation and/or remediation before the New Jersey Department of Environmental Protection (“NJDEP”) under ISRA Case No. E20030110. Previous operations at the facility resulted in soil and groundwater contamination in certain areas of the property. In 1999, the property owner and Gentek signed a remediation agreement with NJDEP, pursuant to which the property owner and Gentek agreed to continue an investigation/remediation that had been commenced pursuant to a Memorandum of Agreement with NJDEP. Under the remediation agreement, NJDEP required posting of a remediation funding source of $0.1 million, which is currently satisfied by a $0.3 million standby letter of credit that was provided by Gentek to the NJDEP. During 2014, the delineation studies were completed and in early 2015 the Company was presented with several remedial plans. Based on the alternatives presented, the Company identified what it believed to be the most likely option and recorded the minimum liability for that option, which totaled $1.0 million as of January 3, 2015, the balance of which remains unchanged as of October 1, 2016. We believe this matter will not have a material adverse effect on our financial position, results of operations or liquidity.

Environmental claims, product liability claims and other claims are administered by us in the ordinary course of business, and we maintain pollution and remediation and product liability insurance covering certain types of claims. Although it is difficult to estimate our potential exposure to these matters, we believe that the resolution of these matters will not have a material adverse effect on our financial position, results of operations or liquidity.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part 1, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 filed with the Securities and Exchange Commission on March 22, 2016, which include detailed discussions of risk factors that could materially affect our business, financial condition or results of operations and are incorporated herein by reference.

Item 6. Exhibits

See Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this Quarterly Report on Form 10-Q, which Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASSOCIATED MATERIALS, LLC
(Registrant)

Date: October 28, 2016

By: /s/ Scott F. Stephens
Scott F. Stephens
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Formation of Associated Materials, LLC (incorporated by reference to Exhibit 3.1 to Associated Materials, LLC's Annual Report on Form 10-K, filed with the SEC on March 25, 2008).
3.2	Amended and Restated Limited Liability Company Agreement of Associated Materials, LLC (incorporated by reference to Exhibit 3.2 to Associated Materials, LLC's Annual Report on Form 10-K, filed with the SEC on March 21, 2014).
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

* This document is being furnished in accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986.

Exhibit 31.1

Certification of the Principal Executive Officer
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brian C. Strauss, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Associated Materials, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2016

By: /s/ Brian C. Strauss
Brian C. Strauss
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of the Principal Financial Officer
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott F. Stephens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Associated Materials, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2016

By: /s/ Scott F. Stephens
Scott F. Stephens
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Form 10-Q of Associated Materials, LLC (the "Company") for the period ended October 1, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods presented.

Date: October 28, 2016 By: /s/ Brian C. Strauss
Brian C. Strauss
President and Chief Executive Officer
(Principal Executive Officer)

Date: October 28, 2016 By: /s/ Scott F. Stephens
Scott F. Stephens
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.