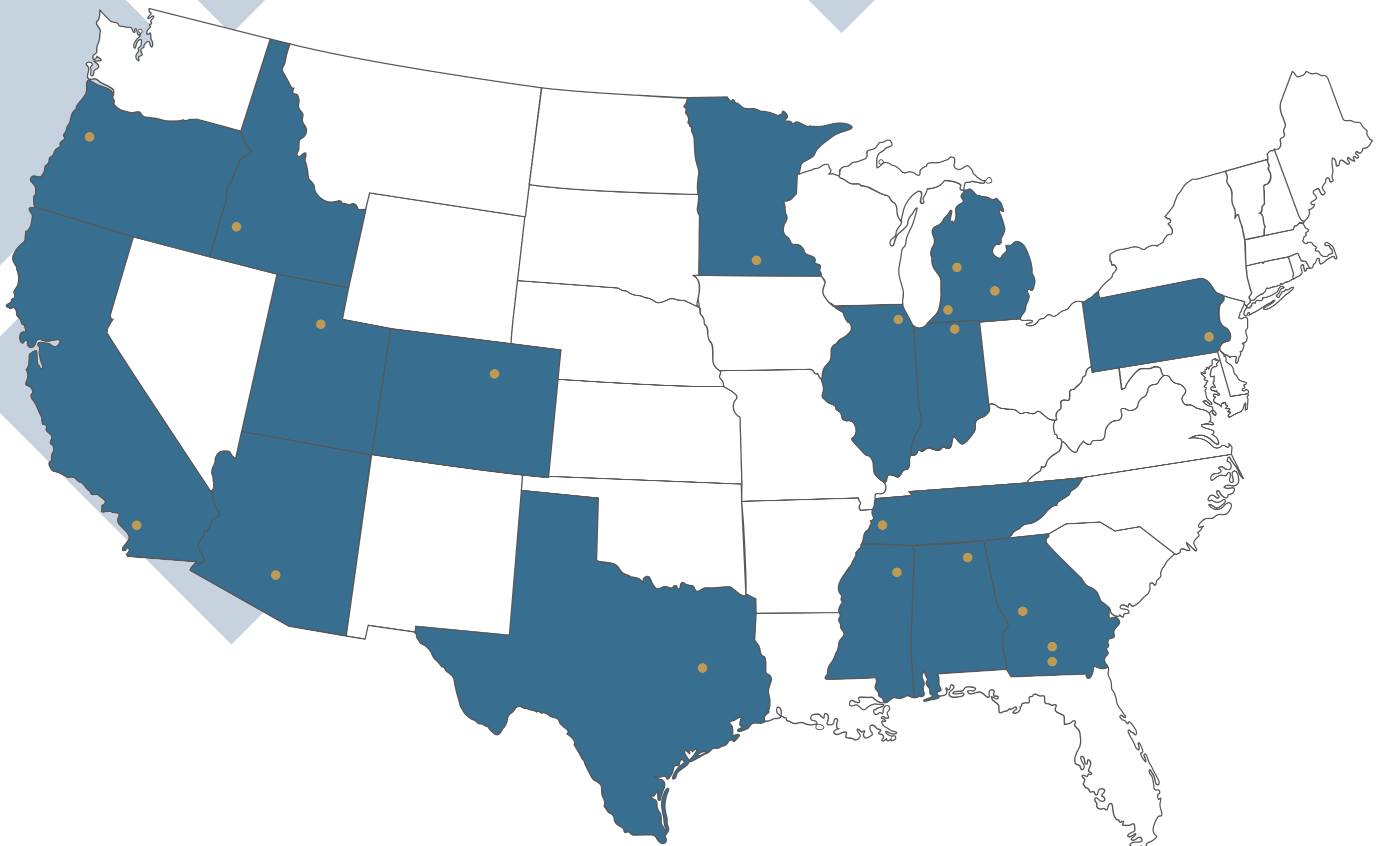
PATRICK INDUSTRIES, INC.

2016 Annual Report

Company Profile

Patrick Industries, Inc. is a major manufacturer of component products and distributor of building products serving the recreational vehicle, manufactured housing, kitchen cabinet, office and household furniture, fixtures and commercial furnishings, marine, and other industrial markets. Patrick's major manufactured products include decorative vinyl and paper laminated panels, solid surface, granite and quartz countertops, fabricated aluminum products, wrapped vinyl, paper and hardwood profile mouldings, slide-out trim and fascia, cabinet doors and components, hardwood furniture, fiberglass bath fixtures, fiberglass and plastic component products including front and rear caps and marine helms, electrical systems components, softwoods lumber, interior passage doors, RV painting, and slotwall panels and components. The Company also distributes prefinished wall and ceiling panels, drywall and drywall finishing products, electronics and audio systems components, wiring, electrical and plumbing products, cement siding, raw and processed lumber, fiber-reinforced polyester products, interior passage doors, roofing products, laminate and ceramic flooring, shower doors, furniture, fireplaces and surrounds, interior and exterior lighting products, and other miscellaneous products. Patrick operates 59 manufacturing facilities and 21 warehouse and distribution centers in 16 states.



Manufacturing Centers

Alabama	Arizona
California (2)	Georgia (2)
Idaho (2)	Illinois
Indiana (36)	Michigan (5)
Mississippi	Oregon (2)
Pennsylvania	Tennessee (4)
Texas	

Distribution Centers

Alabama	Arizona
California	Colorado
Georgia	Indiana (9)
Michigan (2)	Minnesota
Oregon	Pennsylvania
Texas	Utah

LETTER TO SHAREHOLDERS

2016 marked another solid year for our Company driven by strong industry trends and demographics, the addition of eight new companies to the Patrick family, the introduction and launch of our new design center showcasing our full brand and product portfolio, and the tremendous support of our customers and partners. We experienced the seventh consecutive year of improvement in sales and operating performance, fueled by strong industry growth in all three of our primary end markets and increased penetration into the industries we serve. Additionally, our growth reflected the dedication and focus of our more than 5,000 team members who constantly strive to ensure our customers are always top priority and that we provide innovative products and the highest level of service.

Key financial highlights - 2016 compared to 2015:

- Revenue increase of 33% to $1.2 billion.
- Net income of $56 million or $3.64 per diluted share, represented an increase of 32% and 34%, respectively.
- Operating cash flows increased 45% to $97 million.

We made targeted investments in 2016 in alignment with our capital allocation strategy, which included $139 million in acquisitions, $15 million in capital expenditures including geographic expansion initiatives, and $5 million in stock repurchases. We continued to expand our presence and market share in our three primary market sectors - recreational vehicle ("RV"), manufactured housing ("MH") and industrial - and focused our efforts on strategically investing in capacity, talent planning and retention, and certain overhead to support the growing demands and expectations of our customers.

From an industry perspective, the RV market experienced robust seasonal demand patterns driven by strong consumer preferences towards leisure and outdoor lifestyle oriented activities with an increasing number of younger buyers entering the market and significant numbers of baby boomers reaching retirement age, both of which point towards positive long-term potential and trajectory in this sector. Additionally, new and innovative RV designs and products that appeal to all buyer age groups and the value placed on the RV lifestyle related to spending quality time with families helped spur growth in this market. The RV industry saw wholesale unit shipments increase by 15% in 2016, marking the seventh consecutive year of industry growth. Our sales to the RV market, which represented 75% of consolidated 2016 sales, increased 32%. The MH industry, which represented 13% of our 2016 sales, continued to show improvement with meaningful wholesale unit shipment growth of 15% compared to 2015 levels. We believe there is significant opportunity for growth in this market over the long-term based on multi-family housing capacity, increasing rental rates, new home pricing, and broadly improving consumer credit and financing conditions. Our industrial revenues, which represented 12% of our 2016 sales, have increased significantly over the last several years as we continue to position our industrial sales team and product lines to penetrate the residential housing, retail, commercial, multi-family housing, hospitality and institutional markets.

Our capital allocation strategy is centered around the utilization of our leverage and capital resources to grow and re-invest in the business. In March 2017, we completed a public offering of our common stock, the proceeds of which provide greater flexibility to continue to execute on our disciplined strategic growth plans over the next several years. This, coupled with our strong operating cash flows and availability under our recently expanded $450 million credit facility, position us to be able to execute on a number of capital allocation initiatives, including investing in our business through strategic acquisitions and organic growth, repurchases of common stock, capital expenditures, and debt reduction.

Product innovation and design continues to be a key focus area in driving market share and growing our revenue base, adapting to changing market conditions, and proactively addressing customer demand. In 2016, we

expanded our product and service offerings to our RV, MH and industrial customers through the introduction of over 200 new and innovative products and line extensions into our operations that bring additional value to our customers and create additional scale advantages.

We are also focused on driving growth in our primary markets through the acquisition of companies with strong management teams that have a strategic fit with Patrick's core values, business model, entrepreneurial spirit, performance-based culture, and customer presence. In 2016, we completed the acquisition of eight companies that provided the opportunity for us to expand our product offerings into both new and existing market channels and increase market share and per unit content. The acquisitions completed in 2016 represented annualized revenues of $167 million. Additionally, in the first quarter of 2017, we purchased Medallion Plastics, Inc., a designer, engineer and manufacturer of custom thermoformed products for the RV, automotive, specialty transportation and other industrial markets. The successful integration of these acquisitions as well as others acquired over the past several years has resulted in synergy realization, organic market share growth, earnings accretion, and the addition of high quality team members to our Patrick family with both the capacity and energy to drive continued brand individuality and revenue growth.

We invested over $15 million in 2016 through capital expenditures which included upgrading production equipment at select facilities to improve efficiencies and increase capacity in alignment with core OEM expansion efforts. In addition, we completed several facility and capacity expansions in 2016 to capitalize on commercial and industrial synergies in key regions to grow our customer base and expand our geographic product reach outside of our core Midwest market, including opening a new solid surface countertop manufacturing facility in Southern California, two new facilities in Idaho to provide laminated products, interior doors, mattresses, and other products, and a new countertop manufacturing facility in Mississippi. Additionally, in 2016, we completed our plans to increase capacity in Pennsylvania to support the growing industrial market opportunities in the Northeast.

In March 2016, we successfully opened The Studio, a new 45,000 square foot Design/Innovation Center and Showroom located in Elkhart, Indiana, that showcases the products, capabilities and services offered by each of our 35 different operating brands. The Studio has been well received by our customers and is being utilized as a 'one-stop' shop for the latest design trends and product offerings, and provides a creative and collaborative environment where we can work with our customers to design products and enhance their brands.

We will continue to explore acquisition opportunities that are both directly and indirectly tied to the three primary markets and adjacent markets we serve in order to further leverage our core competencies in manufacturing and distribution, diversify our end market exposure and presence, and build upon our strong foundation. Our disciplined execution goals for 2017 and beyond to grow our business and drive shareholder value are supported by a combination of the execution of strategic acquisitions, targeted expansion opportunities, and a focus on efficiency and capacity improvements.

The success we achieved in 2016 is attributable to the tremendous amount of passion, energy, commitment and dedication put forth by each of our Patrick team members and the ongoing support we receive from our customers, suppliers, Board of Directors, banking partners, and our shareholders, who we are privileged to serve. Our primary goal has, and will continue to be, to provide the highest level of quality products and services consistent with our 'Customer-First' performance-oriented culture which ultimately drives overall shareholder value. Our Company has been built on a solid foundation that we are confident will support our vision and strategic direction in 2017 and in the years to come.

Todd M. Cleveland
Chief Executive Officer

Andy L. Nemeth
President

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 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 000-03922

PATRICK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

INDIANA	**35-1057796**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer (Identification No.)
107 W. FRANKLIN STREET, P.O. Box 638, ELKHART, IN	**46515**
(Address of principal executive offices)	(Zip Code)

(574) 294-7511

(Registrant’s telephone number, including area code)

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

Common stock, without par value	Nasdaq Stock Market LLC
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 Act). Yes ☐ No ☒

As of June 24, 2016, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock of the registrant held by non-affiliates was $751,521,276. As of February 17, 2017, there were 15,379,586 shares of the registrant’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s Proxy Statement for its Annual Meeting of Shareholders to be held on May 17, 2017 are incorporated by reference into Part III of this Form 10-K.

PATRICK INDUSTRIES, INC.

FORM 10-K

FISCAL YEAR ENDED DECEMBER 31, 2016

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INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive position, industry growth and projections, growth opportunities for existing products, plans and objectives of management, markets for the common stock of Patrick Industries, Inc. (the "Company" or "Patrick") and other matters. Statements in this Form 10-K as well as other statements contained in the annual report and statements contained in future filings with the Securities and Exchange Commission ("SEC") and publicly disseminated press releases, and statements which may be made from time to time in the future by management of the Company in presentations to shareholders, prospective investors, and others interested in the business and financial affairs of the Company, which are not historical facts, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements.

There are a number of factors, many of which are beyond the control of the Company, which could cause actual results and events to differ materially from those described in the forward-looking statements. Many of these factors are identified in the "Risk Factors" section of this Form 10-K as set forth in Part I, Item 1A. These factors include, without limitation, the impact of any economic downturns especially in the residential housing market, a decline in consumer confidence levels, pricing pressures due to competition, costs and availability of raw materials, the imposition of restrictions and taxes on imports of raw materials and components used in our products, information technology performance and security, the availability of commercial credit, the availability of retail and wholesale financing for residential and manufactured homes, the availability and costs of labor, inventory levels of retailers and manufacturers, the financial condition of our customers, retention and concentration of significant customers, the ability to generate cash flow or obtain financing to fund growth, future growth rates in the Company's core businesses, the seasonality and cyclicality in the industries to which our products are sold, realization and impact of efficiency improvements and cost reductions, the successful integration of acquisitions and other growth initiatives, increases in interest rates and oil and gasoline prices, adverse weather conditions impacting retail sales, our ability to remain in compliance with our credit agreement covenants, and general economic, market and political conditions. In addition, national and regional economic conditions may affect the retail sale of recreational vehicles and residential and manufactured housing. You should consider forward-looking statements, therefore, in light of various important factors, including those set forth in the reports and documents that the Company files with the SEC, including this Annual Report on Form 10-K for the year ended December 31, 2016.

Any projections of financial performance or statements concerning expectations as to future developments should not be construed in any manner as a guarantee that such results or developments will, in fact, occur. There can be no assurance that any forward-looking statement will be realized or that actual results will not be significantly different from that set forth in such forward-looking statement. Patrick does not undertake to publicly update or revise any forward-looking statements, except as required by law. See Part I, Item 1A "Risk Factors" below for further discussion.

PART I

ITEM 1. BUSINESS

Unless the context otherwise requires, the terms "Company," "Patrick," "we," "our," or "us" refer to Patrick Industries, Inc. and its subsidiaries.

Company Overview

Patrick Industries, Inc. was founded in 1959 and incorporated in the state of Indiana in 1961. Patrick is a major manufacturer of component products and distributor of building products and materials serving original equipment manufacturers ("OEMs") primarily in the recreational vehicle ("RV") and manufactured housing ("MH") industries. The Company also supplies products to adjacent industrial markets, such as kitchen cabinet, office and household furniture, fixtures and commercial furnishings, marine, and other industrial markets. The majority of the Company's industrial customers are generally directly linked to the residential housing markets. At December 31, 2016, Patrick maintained 56 manufacturing plants and 22 warehouse and distribution facilities in 16 states.

The Company operates within two reportable segments, Manufacturing and Distribution, through a nationwide network of manufacturing and distribution centers for its products, thereby reducing in-transit delivery time and cost to the regional manufacturing plants of its customers. The Manufacturing and Distribution segments accounted for 82% and 18% of the Company's consolidated net sales for 2016, respectively. Financial information about these operating segments is included in

Note 17 to the Consolidated Financial Statements included in this Annual Report on Form 10-K (the "Form 10-K") and incorporated herein by reference.

The Company's strategic and capital allocation strategy is to optimally manage and utilize its resources and leverage its platform of operating brands to continue to grow its business. Through strategic acquisitions, expansion geographically and into new product lines, investment in infrastructure and capital expenditures, Patrick seeks to ensure that its operating network contains both capacity and technology to support anticipated growth needs, to effectively respond to changes in inventory and sales levels, and to successfully integrate manufacturing, distribution and administrative functions.

The Company's principal executive and administrative offices are located at 107 West Franklin Street, Elkhart, Indiana 46515; telephone number (574) 294-7511; Internet website address: www.patrickind.com. The information on Patrick's website is not incorporated by reference into this Form 10-K. The Company makes available free of charge through the website, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed with the SEC as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

Major Product Lines

Patrick manufactures and distributes a variety of products within its operating segments including:

Manufacturing

- Decorative vinyl and paper laminated panels
- Solid surface, granite and quartz countertops
- Fabricated aluminum products
- Wrapped vinyl, paper and hardwood profile mouldings
- Slide-out trim and fascia
- Cabinet doors and components
- Hardwood furniture
- Fiberglass bath fixtures
- Fiberglass and plastic component products including front and rear caps and marine helms
- Softwoods lumber
- Interior passage doors
- RV painting
- Slotwall panels and components and other

Distribution

- Pre-finished wall and ceiling panels
- Drywall and drywall finishing products
- Electrical systems components
- Wiring, electrical and plumbing products
- Electronics and audio systems components
- Cement siding
- Raw and processed lumber
- Fiber reinforced polyester ("FRP") products
- Interior passage doors
- Roofing products
- Laminate and ceramic flooring
- Shower doors
- Furniture
- Fireplaces and surrounds
- Interior and exterior lighting products
- Other miscellaneous products

Approximately 80% of our consolidated net sales in both 2016 and 2015 were from sales of decorative interior products and components, consisting primarily of manufactured panels, mouldings and trim, hardwood and pressed doors, furniture, fascia, countertops, and fiberglass products.

Primary Markets

Patrick manufactures and distributes its building products and interior decorative component products for use primarily by the RV and MH industries. Operating facilities that supply the Company's products are strategically located in proximity to the customers they serve. The Company's sales by market are as follows:

	2016	2015
RV	**75%**	75%
MH	**13%**	14%
Industrial	**12%**	11%
Total	**100%**	100%

Recreational Vehicles

According to the Recreation Vehicle Industry Association, as noted in its December 2016 Recreation Vehicle Market Report (the "RVIA"), RV industry conditions continued to improve as 2016 marked the seventh consecutive annual increase in RV wholesale unit shipments. Total RV industry shipments rose 15% compared to 2015, with shipments reaching a total of 430,691 units. The principal types of recreational vehicles include (1) towables: conventional travel trailers, folding camping trailers, fifth wheel travel trailers, and truck campers; and (2) motorized: motor homes. The Company estimates that its mix of RV revenues related to towable units and motorized units is consistent with the overall RV production mix. In 2016 and 2015, towable and motorized unit shipments represented approximately 87% and 13%, respectively, of total RV wholesale shipments. The towable sector increased 15% in 2016 over the prior year and the motorized sector rose 16% per the RVIA.

The Company's RV products are sold primarily to major manufacturers of RVs, smaller OEMs, and to a lesser extent, manufacturers in adjacent industries. The RV market is primarily dominated by Thor Industries, Inc. ("Thor") and Forest River, Inc. ("Forest River") which combined held 86% of retail market share for towables and 63% for motorized units as reported per Statistical Surveys, Inc. for 2016 ("SSI").

Recreational vehicle purchases are generally consumer discretionary income purchases, and therefore, any situation which causes concerns related to discretionary income can have a negative impact on this market. The Company believes that industry-wide retail sales and the related production levels of RVs will continue to be dependent on the overall strength of the economy, consumer confidence levels, equity securities market trends, the level of disposable income, and other demographic trends.

Demographic and ownership trends continue to point to favorable market growth in the long term, as there is a culture shift toward outdoor activities, with a large segment of the population's "millennials" embracing this outdoor lifestyle and entering into the RV marketplace. In addition, the number of "baby-boomers" reaching retirement age is steadily increasing, and the RV owning population in the 35-54 year-old demographic continues to grow.

Detailed narrative information about the Company's sales to the RV industry is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Manufactured Housing

The Company's manufactured housing products are sold primarily to major manufacturers of manufactured homes, other OEMs, and to a lesser extent, to manufacturers in adjacent industries. Major MH customers include Clayton Homes, Cavco Industries, Inc., and Champion Home Builders**.** In the aggregate, these manufacturers produced 65% of MH market retail unit shipments in 2016 per SSI.

Although wholesale unit shipments have increased in the MH industry from a low of approximately 50,000 units in 2009 to 81,169 units in 2016, they are still trending well below historical levels. While sales growth in the MH industry continues to be constrained by the lack of financing alternatives and credit availability in the short term, the Company believes there is significant upside potential for this market in the long term based upon current demographic trends, including multi-family housing capacity, new home pricing, improving credit and financing conditions, and improved consumer savings levels.

Factors that may favorably impact production levels in this industry include quality credit standards in the residential housing market, job growth, favorable changes in financing regulations, higher interest rates on traditional residential housing loans, and improved conditions in the asset-backed securities markets for manufactured housing loans.

Detailed narrative information about the Company's sales to the MH industry is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Industrial Markets

The Company estimates that approximately 50% of its industrial net sales in 2016 was associated with the U.S. residential housing market. The Company believes that there is a direct correlation between the demand for its products in this market and new residential housing construction and remodeling activities. Patrick's sales to the industrial market generally lag new housing starts by six to nine months and will vary based on differences in regional economic prospects.

Many of Patrick's core manufacturing products are also utilized in the kitchen cabinet, office and household furniture, fixtures and commercial furnishings, and marine markets. These markets are generally categorized by a more performance-than-price driven customer base, and provide an opportunity for the Company to diversify its customer base. Additionally, other residential

and commercial segments have been less vulnerable to import competition, and therefore, provide opportunities for increased sales penetration and market share gains. Over the past three years, the residential housing market in particular has shown signs of improvement across the country and that trend is expected to continue in 2017.

Strategic Acquisitions

The Company is focused on driving growth in each of its primary markets through the acquisition of companies with strong management teams having a strategic fit with Patrick's core values, business model and customer presence, as well as additional product lines, facilities, or other assets to complement or expand its existing businesses. The Company may explore strategic acquisition opportunities that are not directly tied to the three primary markets it serves in order to further leverage its core competencies in manufacturing and distribution and to diversify its end market exposure and presence.

From 2014 to 2016, the Company invested approximately $351 million to complete 14 acquisitions involving 19 companies, which directly complemented its core competencies and product lines. See Note 4 to the Consolidated Financial Statements included in this Form 10-K for a description of the 2014 and 2015 acquisitions.

In 2016, the Company invested approximately $139 million to complete seven acquisitions involving eight companies:

- **Parkland Plastics, Inc. ("Parkland")** Parkland is a fully integrated designer and manufacturer of innovative polymer-based products including wall panels, lay-in ceiling panels, coated and rolled floors, protective moulding, and adhesives and accessories, used in a wide range of applications primarily in the RV, architectural and industrial markets. The net purchase price for Parkland was $25.2 million.
- **The Progressive Group ("Progressive")** Progressive is a distributor and manufacturer's representative for major name brand electronics to small, mid-size and large retailers, distributors, and custom installers, primarily serving the auto and home electronics, retail, custom integration and commercial channels. The net purchase price for Progressive was $10.9 million.
- **Cana Holdings, Inc. ("Cana")** Cana is a custom cabinetry manufacturer, primarily serving the MH industry and the residential, hospitality and institutional markets. The net purchase price for Cana was $16.5 million.
- **Mishawaka Sheet Metal, LLC ("MSM")** MSM is a fabricator of a wide variety of aluminum and steel products primarily serving the RV and industrial markets. The net purchase price for MSM was $14.0 million.
- **Vacuplast, LLC d/b/a L.S. Manufacturing, Inc. ("LS Mfg.")** LS Mfg. is a manufacturer of a wide variety of thermoformed plastic parts and components, primarily serving the RV industry as well as certain industrial markets. The net purchase price for LS Mfg. was $11.2 million.
- **BH Electronics, Inc. ("BHE")** BHE is a major designer, engineer and manufacturer of custom thermoformed dash panel assemblies, center consoles and trim panels, complete electrical systems, and related components and parts, primarily for recreational boat manufacturers in the U.S. The net purchase price for BHE was $35.0 million.
- **Sigma Wire International, LLC ("Sigma") and KRA International, LLC ("KRA") (together, "Sigma/KRA")** Sigma is a manufacturer of a wide range of PVC insulated wire and cable products primarily for the RV and marine markets. KRA, which operates primarily in the RV and industrial markets, is a manufacturer of wire harnesses and associated assemblies for RVs, commercial vehicles, lawn care equipment, marine products, the defense industry, and automotive aftermarket products. The combined net purchase price for Sigma/KRA was $26.1 million.

Competition

The RV and MH industries are highly competitive, both among manufacturers and the suppliers of RV and MH components. The barriers to entry for each industry are generally low and include compliance with industry standards, codes and safety requirements, and the initial capital investment required to establish manufacturing operations. In addition, the Company competes with manufacturers of manufactured homes with vertically integrated operations. Across the Company's range of products and services, competition exists primarily on price, product features and innovation, quality and customer service. Several competitors compete with Patrick in each product line on a regional and local basis. However, in order for a competitor to compete with Patrick on a national basis, the Company believes that a substantial capital commitment and investment in personnel and facilities would be required. The industrial markets that it serves are also highly competitive.

Operations

Capacity

Patrick has the ability to fill demand for certain products in excess of capacity at certain facilities by shifting production to other facilities. Capital expenditures for 2016 consisted of $15.4 million of investments to upgrade facilities, increase capacity, and provide more advanced manufacturing automation. Management regularly monitors capacity at its facilities and reallocates existing resources where needed to maintain production efficiencies throughout all of its operations.

Plant Expansions

The Company focused on facility and capacity expansions in 2016 to align with core OEM expansions. With this focus, the Company capitalized on commercial and industrial synergies in key regions to support profitable growth, grow its customer base, and expand its geographical product reach outside its core Midwest market by:

- Opening a new solid surface countertop manufacturing facility in Southern California;
- Opening two new facilities in the Pacific Northwest, in Oregon and Idaho, to provide laminated products and interior doors;
- Opening a new countertop manufacturing facility in Mississippi; and
- Increasing capacity and footprint in Pennsylvania to support growing industrial market opportunities in the Northeast.

In 2017, the Company plans to continue to focus on expansion and efficiency efforts with current plans to open a new softwoods operations in Texas and a fiberglass operation in California.

Branding

New product development is a key component of the Company's efforts to grow its market share and revenue base, adapt to changing market conditions, and proactively address customer demand. The Company has expanded its product and service offerings with the integration of new and innovative product lines into its operations that bring additional value to customers and create additional scale advantages.

The Studio

In March 2016, the Company opened *The Studio,* its new Design/Innovation Center and Showroom located in Elkhart, Indiana. *The Studio* presents the latest design trends and products in the markets served by Patrick, and provides a creative environment for customers to design products and enhance their brand. The 45,000 square foot facility includes a 25,000 square foot showroom devoted to the display of products, capabilities and services offered by each of Patrick's business units, in addition to offices and conference rooms. The Company's specialized team of designers, engineers and graphic artists works with RV, MH and industrial customers to meet their creative design and product needs, including creating new styles and utilizing new colors, patterns, products, and wood types for panels and mouldings, cabinet doors, furniture, lighting and other products. Other services provided at *The Studio* include product development, 3D CAD illustration, 3D printing, photography and marketing.

Operating Brands

Through its operating brands, the Company provides customers with specific product knowledge, expertise and support that is tailored to their needs. The Company strives to be the supplier of choice for its customers by elevating the customer purchasing experience with expert product line managers, support staff and strategic partnerships for each operating brand, which help drive efficiency and maximize value for its customers.

Primary product brands include:

- Adorn
- Custom Vinyls
- Patrick Distribution
- AIA Countertops
- Quest Audio Video
- Interior Components Plus
- Gravure Ink
- Praxis Group
- Décor Manufacturing
- Gustafson Lighting
- Creative Wood Designs
- Middlebury Hardwood Products
- Frontline Manufacturing
- Premier Concepts
- West Side Furniture
- Precision Painting
- Carrera Custom Painting
- Millennium Paint

- Foremost Fabricators
- PolyDyn3
- Charleston
- Better Way Products
- Structural Composites of Indiana
- North American Forest Products
- North American Moulding
- Parkland Plastics
- Progressive Group
- Cana Cabinetry
- Mishawaka Sheet Metal
- L.S. Manufacturing
- BH Electronics
- Sigma Wire
- KRA International

In addition, our industrial markets sector cross sells existing product lines and launches new products that are targeted to serve unique, consumer-driven channels under the Decorative Dynamics brand name.

Patrick has no material patents, licenses, franchises, or concessions and does not conduct significant research and development activities.

Marketing and Distribution

As of December 31, 2016, the Company had over 1,100 active customers. Its revenues from the RV market include sales to two major manufacturers of RVs that each account for over 10% of the Company's net sales, Forest River and Thor. Each of Forest River and Thor has multiple businesses and brands that operate independently under the parent company and therefore, purchase our products independently from one another. The Company's sales to the various businesses of Forest River and Thor, on a combined basis, accounted for 60% and 61% of our consolidated net sales, for the years ended December 31, 2016 and 2015, respectively.

The Company generally maintains supplies of various commodity products in its warehouses to ensure that it has product on hand at all times for its distribution customers. The Company purchases a majority of its distribution segment products in railcar, container, or truckload quantities, which are warehoused prior to their sale to customers. Approximately 18% and 19% of the Company's distribution segment's sales were from products shipped directly from the suppliers to Patrick customers in 2016 and 2015, respectively. Typically there is a one to two-week period between Patrick receiving a purchase order and the delivery of products to its warehouses or customers and, as a result, the Company has no significant backlog of orders. In periods of declining market conditions, customer order rates can decline, resulting in less efficient logistics planning and fulfillment and thus increasing delivery costs due to increased numbers of shipments with fewer products in each shipment.

Raw Materials

Patrick has arrangements with certain suppliers that specify exclusivity in certain geographic areas, pricing structures and rebate agreements among other terms. During the year ended December 31, 2016, the Company purchased approximately 46% of its raw materials and distributed products from 20 different suppliers. The five largest suppliers accounted for approximately 22% of the Company's total purchases.

Raw materials are primarily commodity products, such as lauan, gypsum, particleboard and other lumber products, aluminum, resin, fiberglass and overlays, among others which are available from many suppliers. Our customers do not maintain long-term supply contracts, and therefore, the Company bears the risk of accurate advanced estimation of customer orders. Its sales in the short-term could be negatively impacted in the event any unforeseen negative circumstances were to affect its major suppliers. In addition, demand changes in certain market sectors can result in fluctuating costs of certain more commodity-oriented raw materials and other products that are utilized and distributed from quarter-to-quarter.

The Company continually explores alternative sources of raw materials and components, both domestically and from outside the United States ("U.S."). Alternate sources of supply are available for all of its material purchases.

Regulation and Environmental Quality

The Company's operations are subject to environmental laws and regulations administered by federal, state, and local regulatory authorities including requirements relating to air, water and noise pollution. Additionally, these requirements regulate the Company's use, storage, discharge and disposal of hazardous chemicals used or generated during specific manufacturing processes.

Select products are subject to various legally binding or voluntary standards. For example, the composite wood substrate materials that Patrick uses to produce products for its customers in the RV marketplace have been certified as to compliance

with applicable emission standards developed by the California Air Resources Board ("CARB"). All suppliers and manufacturers of composite wood materials are required to comply with the current CARB regulations.

The Company is certified to sell Forestry Stewardship Council ("FSC") materials to its customers at certain of its manufacturing branches. The FSC certification provides a link between responsible production and consumption of materials from the world's forests and it assists the Company's customers in making socially and environmentally responsible buying decisions on the products they purchase.

Upholstered products and mattresses provided by the Company for RVs must comply with Federal Motor Vehicle Safety Standards regulated by the National Highway Traffic Safety Administration regarding flammability.

The Company also produces and provides products for manufactured homes that must comply with performance and construction regulations promulgated by the U.S. Department of Housing and Urban Development ("HUD").

Seasonality

Manufacturing operations in the RV and MH industries historically have been seasonal and at their highest levels when the climate is moderate. Accordingly, the Company's sales and profits had generally been the highest in the second quarter and lowest in the fourth quarter. Seasonal industry trends in the past several years have included the impact related to the addition of major RV manufacturer open houses for dealers in the September/October timeframe, resulting in dealers delaying purchases until new product lines are introduced at these shows. This has resulted in seasonal softening in the RV industry beginning in the third quarter and extending through October, resulting in a seasonal trend pattern in which the Company achieves its strongest sales and profit levels in the first half of the year. In addition, current and future seasonal industry trends may be different from prior years due to the impact of national regional economic conditions and consumer confidence on retail sales of RVs and other products for which the Company sells its components.

Employees

At December 31, 2016, we had 4,497 employees, 4,028 of which were engaged directly in production, warehousing, and delivery operations; 132 in sales; and 337 in office and administrative activities, which includes purchasing, inventory and production control, customer service, human resources, accounting, and information technology, among others. The Company believes its relations with its employees are good. The Company is not subject to any collective bargaining agreements with its employees.

Executive Officers of the Company

The following table sets forth our executive officers as of December 31, 2016:

Officer	Position	Age
Todd M. Cleveland	Chief Executive Officer	48
Andy L. Nemeth	President	47
Jeffrey M. Rodino	Executive Vice President-Sales and Chief Sales Officer	46
Kip B. Ellis	Executive Vice President-Operations and Chief Operating Officer	42
Joshua A. Boone	Vice President-Finance, Chief Financial Officer and Secretary-Treasurer	37
Courtney A. Blosser	Executive Vice President-Human Resources and Chief Human Resources Officer	50

Todd M. Cleveland was appointed Chief Executive Officer in February 2009. Mr. Cleveland was President of the Company from May 2008 to December 2015, and Chief Operating Officer from May 2008 to March 2013. Prior to that, Mr. Cleveland served as Executive Vice President of Operations and Sales and Chief Operating Officer from August 2007 to May 2008 following the acquisition of Adorn Holdings, Inc. by Patrick in May 2007. Mr. Cleveland has over 26 years of manufactured housing, recreational vehicle, and industrial experience in various leadership capacities.

Andy L. Nemeth was appointed President of the Company in January 2016. Prior to that, Mr. Nemeth was the Executive Vice President of Finance and Chief Financial Officer from May 2004 to December 2015, and Secretary-Treasurer from 2002 to 2015. Mr. Nemeth has over 25 years of manufactured housing, recreational vehicle, and industrial experience in various financial and managerial capacities.

Jeffrey M. Rodino was appointed Chief Sales Officer of the Company in September 2016. In addition to this role, Mr. Rodino serves as the Executive Vice President of Sales, a position he has held since December 2011. Prior to that, he was the Chief Operating Officer of the Company from March 2013 to September 2016, and Vice President of Sales for the Midwest from August 2009 to December 2011. He was elected an Officer in May 2010. Mr. Rodino has over 23 years of experience in serving the recreational vehicle, manufactured housing and industrial markets.

Kip B. Ellis was appointed Executive Vice President of Operations and Chief Operating Officer of the Company in September 2016. He was elected an officer in September 2016. Mr. Ellis joined the Company as Vice President of Market Development in April 2016. Prior to his role at Patrick, Mr. Ellis served as Vice President of Aftermarket Sales for the Dometic Group from 2015 to 2016. Prior to his tenure at Dometic, Mr. Ellis served as Vice President of Global Sales and Marketing from 2007 to 2015 at Atwood Mobile Products. Mr. Ellis has over 20 years of experience serving the recreational vehicle, manufactured housing, industrial and automotive markets.

Joshua A. Boone was appointed Vice President of Finance, Chief Financial Officer and Secretary-Treasurer of the Company in January 2016. He was elected an officer in May 2016. Mr. Boone joined the Company as its Director of Corporate Finance in July 2014. Prior to his role at Patrick, Mr. Boone served as Chief Financial Officer for Pretzels, Inc. from 2012 to 2014 and served in several leadership positions in finance and accounting at Brunswick Corporation from 2007 to 2014.

Courtney A. Blosser was appointed Executive Vice President of Human Resources and Chief Human Resources Officer of the Company in May 2016. Prior to that, Mr. Blosser was the Vice President of Human Resources from October 2009 to May 2016. He was elected an Officer in May 2010. Prior to that, Mr. Blosser served as the Corporate Director-Human Resources of Whirlpool Corporation from 2008 to 2009. Mr. Blosser has over 28 years of operations and human resource experience in various industries.

Website Access to Company Reports

We make available free of charge through our website, www.patrickind.com, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The charters of our Audit, Compensation, and Corporate Governance and Nominations Committees, our Corporate Governance Guidelines, our Code of Ethics and Business Conduct, and our Code of Ethics Applicable to Senior Executives are also available on the “Corporate Governance” portion of our website. Our website and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

Additionally, the public may read or copy any materials we file with the SEC at the SEC's public reference room located at 100 F Street N.E., Washington D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition or results of operations. The risks described below are not the only risks we face. Additional factors not presently known to us or that we currently deem to be immaterial also may materially adversely affect our business, cash flows, financial condition or results of operations in future periods.

Economic and business conditions beyond Patrick's control, including cyclicality and seasonality in the industries it sells products, could lead to fluctuations in and negatively impact operating results.

The RV, MH and industrial markets in which we operate are subject to cycles of growth and contraction in consumer demand, and volatility in production levels, shipments, sales and operating results, due to external factors such as general economic conditions, consumer confidence, employment rates, financing availability, interest rates, inflation, fuel prices, and other economic conditions affecting consumer demand and discretionary spending. Periods of economic recession and downturns have adversely affected our business and operating results in the past, and have potential to adversely impact our future results. Consequently, the results for any prior period may not be indicative of results for any future period. In addition, fluctuation in demand could adversely affect our management of inventory, which could lead to an inability to meet customer needs or a charge for obsolete inventory.

Sales in the RV and MH industries historically have been seasonal and are generally at the highest levels when the climate is moderate. However, seasonal industry trends in the past several years have differed from prior years, primarily due to volatile economic conditions, fluctuations in RV dealer inventories, changing dealer show schedules, interest rates, access to financing, the cost of fuel, and increased demand from RV dealers. Consequently, future seasonal trends may differ from prior years. In addition, unusually severe weather conditions may impact the timing of industry-wide shipments from one period to another and lead to unanticipated fluctuations in our operating results.

If the financial condition of our customers and suppliers deteriorate, our business and operating results could suffer.

The markets we serve have been highly sensitive to changes in the economic environment. Weakening conditions in the economy, or the lack of available financing in the credit market, could cause the financial condition of our customers and suppliers to deteriorate, which could negatively affect our business through the loss of sales or the inability to meet our commitments. Many of our customers participate in highly competitive markets and their financial condition may deteriorate as a result. In addition, a decline in the financial condition of our customers could hinder our ability to collect amounts owed by customers.

Although we have a large number of customers, our sales are significantly concentrated with two customers, the loss of either of which could have a material adverse impact on our operating results and financial condition.

Two customers in the RV market accounted for a combined 60% of our consolidated net sales in 2016. The loss of either of these customers could have a material adverse impact on our operating results and financial condition. We do not have long-term agreements with our customers and cannot predict that we will maintain our current relationships with these customers or that we will continue to supply them at current levels.

Changes in consumer preferences relating to our products could adversely impact our sales levels and our operating results.

Changes in consumer preferences, or our inability to anticipate changes in consumer preferences for RVs or manufactured homes, or for the products we make could reduce demand for our products and adversely affect our operating results and financial condition.

A significant percentage of the Company's sales are concentrated in the RV industry, and declines in the level of RV unit shipments or reductions in industry growth could reduce demand for our products and adversely impact our operating results and financial condition.

In both 2015 and 2016, the Company's net sales to the RV industry were approximately 75% of consolidated net sales. While the Company measures its RV Segment sales against industry-wide wholesale shipment statistics, the underlying health of the RV industry is determined by retail demand. Retail sales of RVs historically have been closely tied to general economic conditions, as well as consumer confidence which was above historical averages in 2016. Future declines in RV unit shipment levels or reductions in industry growth could significantly reduce the Company's revenue from the RV industry and have a material adverse impact on its operating results in 2017 and other future periods.

The manufactured housing and recreational vehicle industries are highly competitive and some of our competitors may have greater resources than we do.

We operate in a highly competitive business environment and our sales could be negatively impacted by our inability to maintain or increase prices, changes in geographic or product mix, or the decision of our customers to purchase our competitors' products or to produce in-house products that we currently produce. We compete not only with other suppliers to the RV and MH producers, but also with suppliers to traditional site-built homebuilders and suppliers of cabinetry and countertops. Sales could also be affected by pricing, purchasing, financing, advertising, operational, promotional, or other decisions made by purchasers of our products. Additionally, we cannot control the decisions made by suppliers of our distributed and manufactured products and therefore, our ability to maintain our distribution arrangements may be adversely impacted.

The greater financial resources or the lower level of debt or financial leverage of certain of our competitors may enable them to commit larger amounts of capital in response to changing market conditions. Competitors may develop innovative new products that could put the Company at a competitive disadvantage. If we are unable to compete successfully against other manufacturers and suppliers to the RV and MH industries, we could lose customers and sales could decline, or we may not be

able to improve or maintain profit margins on sales to customers or be able to continue to compete successfully in our core markets.

Conditions in the credit market could limit the ability of consumers to obtain retail financing for RVs and manufactured homes, resulting in reduced demand for our products.

Restrictions on the availability of consumer financing for RVs and manufactured homes and increases in the costs of such financing have in the past limited, and could again limit, the ability of consumers to purchase RVs and manufactured homes, which would result in reduced production of RVs and manufactured homes by our customers, and therefore reduce demand for our products.

Loans used to finance the purchase of manufactured homes usually have shorter terms and higher interest rates, and are more difficult to obtain, than mortgages for site-built homes. Historically, lenders required a higher down payment, higher credit scores and other criteria for these loans. Current lending criteria are more stringent than historical criteria, and many potential buyers of manufactured homes may not qualify.

The availability, cost, and terms of these manufactured housing loans are also dependent on economic conditions, lending practices of financial institutions, government policies, and other factors, all of which are beyond our control. Reductions in the availability of financing for manufactured homes and increases in the costs of this financing have limited, and could continue to limit, the ability of consumers to purchase manufactured homes, resulting in reduced production of manufactured homes by our customers, and therefore reduced demand for our products. In addition, certain provisions of the Dodd-Frank Act, which regulate financial transactions, could make certain types of loans more difficult to obtain, including those historically used to finance the purchase of manufactured homes.

The manufactured housing industry has experienced a significant long-term decline in shipments, which has led to reduced demand for our products.

Our MH Segment, which accounted for 13% of consolidated net sales for 2016, operates in an industry which has experienced a significant decline in production of new homes compared to the last peak production level in 1998. The downturn was caused, in part, by limited availability and high cost of financing for manufactured homes, and was exacerbated by economic and political conditions during the financial crisis. Although industry-wide wholesale production of manufactured homes has improved somewhat in recent years, a worsening of conditions in the MH market could have a material adverse impact on our operating results.

Fuel shortages or high prices for fuel could have an adverse impact on our operations.

The products produced by the RV industry typically require gasoline or diesel fuel for their operation, or the use of a vehicle requiring gasoline or diesel fuel for their operation. There can be no assurance that the supply of gasoline and diesel fuel will continue uninterrupted or that the price or tax on fuel will not significantly increase in the future. Shortages of gasoline and diesel fuel, and substantial increases in the price of fuel, have had a material adverse effect on our business and the RV industry as a whole in the past and could have a material adverse effect on our business in the future.

We are dependent on third-party suppliers and manufacturers.

Generally, our raw materials, supplies and energy requirements are obtained from various sources and in the quantities desired. While alternative sources are available, our business is subject to the risk of price increases and periodic delays in delivery. Fluctuations in prices may be driven by the supply/demand relationship for that commodity, governmental regulation, tariffs or other cross-border taxes, economic conditions in other countries, religious holidays, natural disasters, and other events. In addition, if any of our suppliers seek bankruptcy relief or otherwise cannot continue their business as anticipated, the availability or price of these requirements could be adversely affected.

If we cannot effectively manage the challenges and risks associated with doing business internationally, our revenues and profitability may suffer.

We purchase a significant portion of our raw materials and other supplies from suppliers located in Indonesia, China and Malaysia. As a result, our ability to obtain raw materials and supplies on favorable terms and in a timely fashion are subject to a variety of risks, including fluctuations in foreign currencies, changes in the economic strength of the foreign countries in which we do business, difficulties in enforcing contractual obligations and intellectual property rights, compliance burdens associated with a wide variety of international and United States import laws, and social, political, and economic instability. Our business with our international suppliers could be adversely affected by restrictions on travel to and from any of the countries in which

we do business due to a health epidemic or outbreak or other event. Additional risks associated with our foreign business include restrictive trade policies, imposition of duties, taxes, or government royalties by foreign governments, and compliance with the Foreign Corrupt Practices Act and local anti-bribery laws. Recently, the new White House administration, certain members of Congress and key policy makers have suggested the renegotiation of the North American Free Trade Agreement. In addition, the new administration has suggested the adoption of other laws to implement tariffs, border taxes, or other measures that could impact the level of trade between the U.S., Mexico and China. Any such proposals or measures could negatively impact our relations with our international suppliers and the volume of shipments to the U.S. from these countries, which could have a materially adverse effect on our business and operating results.

Any increased cost and limited availability of certain raw materials may have a material adverse effect on our business and results of operations.

Prices of certain materials, including gypsum, lauan, particleboard, MDF, aluminum and other commodity products, can be volatile and change dramatically with changes in supply and demand. Certain products are purchased from overseas and their availability is dependent upon weather conditions, seasonal and religious holidays, political unrest, economic conditions overseas, natural disasters, vessel shipping schedules and port availability. Further, our commodity product suppliers sometimes operate at or near capacity, resulting in some products having the potential of being put on allocation. We generally have been able to maintain adequate supplies of materials and to pass higher material costs on to our customers in the form of surcharges and base price increases where needed. However, it is not certain future price increases can be passed on to our customers without affecting demand or that limited availability of materials will not impact our production capabilities. Our sales levels and operating results could be negatively impacted by changes in any of these items.

Increases in demand for our products could make it more difficult for us to obtain additional skilled labor, which may adversely impact our operating efficiencies.

In certain geographic regions in which we have manufacturing facilities, we are experiencing shortages of qualified employees, which negatively impacted our cost of goods sold in 2016. Labor shortages and continued competition for qualified employees may increase, especially during improving economic times, the cost of our labor and create employee retention and recruitment challenges, as employees with knowledge and experience have the ability to change employers more easily.

If demand continues to increase, we may not be able to increase production to timely satisfy demand, and may initially incur higher labor and production costs, which could adversely impact our financial condition and operating results.

We may incur significant charges or be adversely impacted by the consolidation and/or closure of all or part of a manufacturing or distribution facility.

We periodically assess the cost structure of our operating facilities to distribute and/or manufacture products in the most efficient manner. We may make capital investments to move, discontinue manufacturing and/or distribution capabilities, or products and product lines, sell or close all or part of additional manufacturing and/or distribution facilities in the future. These changes could result in significant future charges or disruptions in our operations, and we may not achieve the expected benefits from these changes, which could result in an adverse impact on our operating results, cash flows, and financial condition.

We are subject to governmental and environmental regulations, and failure in our compliance efforts, changes to such laws and regulations or events beyond our control could result in damages, expenses or liabilities that individually, or in the aggregate, would have a material adverse effect on our financial condition and results of operations.

Some of our manufacturing processes involve the use, handling, storage and contracting for recycling or disposal of hazardous or toxic substances or wastes. Accordingly, we are subject to various governmental and environmental laws and regulations regarding these substances, as well as environmental requirements relating to air, water and noise pollution. The implementation of new laws and regulations or amendments to existing regulations could significantly increase the cost of the Company’s products. We cannot presently determine what, if any, legislation may be adopted by federal, state or local governing bodies, or the effect any such legislation may have on our customers or us. Failure to comply with present or future regulations could result in fines or potential civil or criminal liability. Both scenarios could negatively impact our results of operations or financial condition.

The inability to attract and retain qualified executive officers and key personnel may adversely affect our operations.

While we include succession planning as part of our ongoing talent development and management process to help ensure the continuity of our business model, the loss of any of our executive officers or other key personnel could reduce our ability to manage our business and strategic plan in the short-term and could cause our sales and operating results to decline. In addition, our future success will depend on, among other factors, our ability to attract and retain executive management, key employees, and other qualified personnel.

Our ability to integrate acquired businesses may adversely affect operations.

As part of our business and strategic plan, we look for strategic acquisitions to provide shareholder value. Any acquisition will require the effective integration of an existing business and its administrative, financial, sales and marketing, manufacturing, and other functions to maximize synergies. Acquired businesses involve a number of risks that may affect our financial performance, including increased leverage, diversion of management resources, assumption of liabilities of the acquired businesses, and possible corporate culture conflicts. If we are unable to successfully integrate these acquisitions, we may not realize the benefits identified in our due diligence process, and our financial results may be negatively impacted. Additionally, significant unexpected liabilities could arise from these acquisitions.

Our level of indebtedness could limit our operational flexibility and harm our financial condition and results of operations.

As of December 31, 2016, we had $273.2 million of total long-term debt outstanding under our $360.0 million revolving credit facility (the "2015 Credit Facility") that was established pursuant to our current credit agreement, as amended (the "2015 Credit Agreement").

Our level of indebtedness could have adverse consequences on our future operations, including making it more difficult for us to meet our payments on outstanding debt, and we may not be able to find alternative financing sources to replace our indebtedness in such an event. Our level of indebtedness could: (i) reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limit our ability to obtain additional financing for these purposes; (ii) limit our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business and the industry in which we operate; (iii) place us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged; and (iv) create concerns about our credit quality which could result in the loss of supplier contracts and/or customers. Our ability to satisfy our debt obligations will depend on our future operating performance which may be affected by factors beyond our control.

Our 2015 Credit Agreement contains various financial performance and other covenants. If we do not remain in compliance with these covenants, our 2015 Credit Agreement could be terminated and the amounts outstanding thereunder could become immediately due and payable.

We have debt outstanding that contains financial and non-financial covenants with which we must comply that place restrictions on us. There can be no assurance that we will maintain compliance with the financial covenants under our 2015 Credit Agreement. These covenants require that we comply with a maximum level of a consolidated total leverage ratio and a minimum level of a consolidated fixed charge coverage ratio. If we fail to comply with the covenants contained in our 2015 Credit Agreement, the lenders could cause our debt to become due and payable prior to maturity or it could result in our having to refinance the indebtedness under unfavorable terms. If our debt were accelerated, our assets might not be sufficient to repay our debt in full and there can be no assurance that we would be able to refinance any or all of this indebtedness.

Due to industry conditions and our operating results, there have been times in the past when we have had limited access to sources of capital. If we are unable to locate suitable sources of capital when needed, we may be unable to maintain or expand our business.

We depend on our cash balances, our cash flows from operations, and our 2015 Credit Facility to finance our operating requirements, capital expenditures and other needs. If a significant economic recession occurred, such as the recession that impacted the economy in 2007-2010, production of RVs and manufactured homes could decline, resulting in reduced demand for our products. A decline in our operating results could negatively impact our liquidity. If our cash balances, cash flows from operations, and availability under our 2015 Credit Facility are insufficient to finance our operations and alternative capital is not available, we may not be able to expand our business and make acquisitions, or we may need to curtail or limit our existing operations.

We have letters of credit representing collateral for our casualty insurance programs and for general operating purposes that have been issued under our 2015 Credit Agreement. The inability to retain our current letters of credit, to obtain alternative letter of credit sources, or to retain our 2015 Credit Agreement to support these programs could require us to post cash collateral, reduce the amount of cash available for our operations, or cause us to curtail or limit existing operations.

If we are unable to manage our inventory, our operating results could be materially and adversely affected.

Our customers generally do not maintain long-term supply contracts and, therefore, we must bear the risk of advanced estimation of customer orders. We maintain an inventory to support these customers' needs. Changes in demand, market conditions and/or product specifications could result in material obsolescence and a lack of alternative markets for certain of our customer specific products and could negatively impact operating results.

We could incur charges for impairment of assets, including goodwill and other long-lived assets, due to potential declines in the fair value of those assets or a decline in expected profitability of the Company or individual reporting units of the Company.

Approximately 67% of our total assets as of December 31, 2016 was comprised of goodwill, other intangible assets, and property, plant and equipment. Under generally accepted accounting principles, each of these assets is subject to periodic review and testing to determine whether the asset is recoverable or realizable. The events or changes that could require us to test our goodwill and intangible assets for impairment include changes in our estimated future cash flows, changes in rates of growth in our industry or in any of our reporting units, and decreases in our stock price and market capitalization.

In the future, if sales demand or market conditions change from those projected by management, asset write-downs may be required. Significant impairment charges, although not always affecting current cash flow, could have a material effect on our operating results and financial position.

A variety of factors, many of which are beyond our control, could influence fluctuations in the market price for our common stock.

The stock market, in general, experiences volatility that has often been unrelated to the underlying operating performance of companies. If this volatility continues, the trading price of our common stock could decline significantly, independent of our actual operating performance. The market price of our common stock could fluctuate significantly in response to a number of factors, many of which are beyond our control, including the following:

- variations in our and our competitors' operating results;
- high concentration of shares held by institutional investors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- announcements by us or our competitors of technological improvements or new products;
- the gain or loss of significant customers;
- additions or departures of key personnel;
- events affecting other companies that the market deems comparable to us;
- changes in investor perception of our business and/or management;
- changes in global economic conditions or general market conditions in the industries in which we operate;
- sales of our common stock held by certain equity investors or members of management;
- issuance of our common stock or debt securities by the Company; and
- the occurrence of other events that are described in these risk factors.

If our information technology systems fail to perform adequately, our operations could be disrupted and could adversely affect our business, reputation and results of operation

We are increasingly dependent on digital technology, including information systems and related infrastructure, to process and record financial and operating data, manage inventory and communicate with our employees and business partners. We rely on our information technology systems to effectively manage our business data, inventory, supply chain, order entry and fulfillment, manufacturing, distribution, warranty administration, invoicing, collection of payments, and other business processes. Our systems are subject to damage or interruption from power outages, telecommunications or internet failures, computer viruses and malicious attacks, security breaches and catastrophic events. If our systems are damaged or fail to function properly or reliably, we may incur substantial repair or replacement costs, experience data loss or theft and

impediments to our ability to manage our business, which could adversely affect our results of operations. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation, which could adversely affect our business.

In addition, we may be required to make significant technology investments to maintain and update our existing computer systems. Implementing significant system changes increases the risk of computer system disruption. The potential problems and interruptions associated with implementing technology initiatives could disrupt or reduce our operational efficiency.

A cyber incident or data breach could result in information theft, data corruption, operational disruption, and/or financial loss.

Our technologies, systems, networks, and those of our business partners have in the past and may in the future become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss, or destruction of proprietary and other information, or other disruption of our business operations. A cyber-attack could include gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption or result in denial of service on websites. We have programs in place to detect, contain and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our team members, contractors, vendors, and temporary staff. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Any cyber-attack on our business could materially harm our business and operating results. On February 3, 2017, certain personally identifiable employee information for all of the Company's current and former employees for calendar year 2016 was inadvertently disclosed to an unauthorized individual or individuals as the result of a targeted email phishing message. The Company currently carries insurance to cover its exposure to this type of incident. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. If we or our suppliers experience additional significant data security breaches or fail to detect and appropriately respond to significant data security breaches, we could be exposed to costly government enforcement actions and private litigation and our business and operating results could suffer.

We are required to evaluate our internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and could have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on our internal control over financial reporting. Such report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. Each year we must prepare or update the process documentation and perform the evaluation needed to comply with Section 404. During this process, if our management identifies one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that such internal control is effective. Ensuring that we have adequate internal financial and accounting controls and procedures in place is a costly and time-consuming effort that needs to be re-evaluated frequently. We and our independent auditors may in the future discover areas of our internal controls that need further attention and improvement, particularly with respect to any businesses that we decide to acquire in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Investor perception that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely, consistent basis may adversely affect our stock price. Failure to comply with Section 404 could also potentially subject us to sanctions or investigations by the SEC, NASDAQ, or other regulatory authorities.

Certain provisions in our Articles of Incorporation and Amended and Restated By-laws may delay, defer or prevent a change in control that our shareholders each might consider to be in their best interest.

Our Articles of Incorporation and Amended and Restated By-laws contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids. These provisions may delay, defer or prevent a change in control that our shareholders might consider to be in their best interest.

Conditions within the insurance markets could impact our ability to negotiate favorable terms and conditions for various liability coverage and could potentially result in uninsured losses.

We generally negotiate our insurance contracts annually for property, casualty, workers compensation, general liability, health insurance, and directors and officers liability coverage. Due to conditions within these insurance markets and other factors beyond our control, future coverage limits, terms and conditions and the amount of the related premiums could have a negative impact on our operating results. While we continually measure the risk/reward of policy limits and coverage, the lack of coverage in certain circumstances could result in potential uninsured losses.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At December 31, 2016, the Company owned approximately 1,924,100 square feet of manufacturing and distribution facilities and leased approximately 3,114,500 square feet as listed below.

Location	Use (1)	Area Sq. Ft.	Ownership or Lease Arrangement
Elkhart, IN	Manufacturing	182,000	Owned
Elkhart, IN	Distribution	107,000	Owned
Wyoming, MI	Distribution	10,000	Leased
Troy, MI	Distribution	8,525	Leased
Denver, CO	Distribution	9,918	Leased
West Valley City, UT	Distribution	6,000	Leased
Phoenix, AZ	Distribution	5,610	Leased
Carmel, IN	Distribution	9,990	Leased
Elkhart, IN	Distribution	175,000	Owned
Elkhart, IN	Distribution	85,000	Leased
Elkhart, IN	Distribution	120,824	Leased
Elkhart, IN	Distribution	72,000	Owned
Goshen, IN	Distribution	52,500	Leased
Elkhart, IN	Distribution	115,923	Leased
Elkhart, IN	Manufacturing	25,000	Leased
Mishawaka, IN	Manufacturing	60,000	Leased
Elkhart, IN	Manufacturing	211,320	Leased
Mishawaka, IN	Manufacturing	40,000	Leased
Mishawaka, IN	Manufacturing	98,738	Leased
Middlebury, IN	Manufacturing	134,000	Owned
Middlebury, IN	Manufacturing	69,610	Owned
Syracuse, IN	Manufacturing	142,600	Owned
Syracuse, IN	Manufacturing	75,500	Leased
Warsaw, IN	Manufacturing	40,000	Leased
Goshen, IN	Distribution	53,000	Leased
Goshen, IN	Manufacturing	40,000	Leased
Goshen, IN	Manufacturing	20,400	Leased
Goshen, IN	Manufacturing	24,625	Leased
Goshen, IN	Manufacturing	10,080	Leased
Goshen, IN	Manufacturing	16,000	Leased
Elkhart, IN	Manufacturing	198,000	Leased
Bremen, IN	Manufacturing	91,999	Owned
Bremen, IN	Manufacturing	12,000	Leased
Elkhart, IN	Manufacturing	64,500	Owned

Elkhart, IN	Manufacturing	62,817	Owned
Elkhart, IN	Manufacturing	24,840	Owned
Warsaw, IN	Manufacturing	75,000	Leased
New Paris, IN	Manufacturing	65,522	Leased
New Paris, IN	Manufacturing	129,914	Leased
Bremen, IN	Manufacturing	78,912	Leased
Bremen, IN	Manufacturing	66,338	Owned
Bremen, IN	Manufacturing	78,036	Owned
Decatur, AL	Manufacturing & Distribution	94,000	Owned
Ligonier, IN	Manufacturing	45,000	Leased
Ligonier, IN	Manufacturing	15,000	Leased
Elkhart, IN	Manufacturing	39,795	Leased
Elkhart, IN	Manufacturing	29,340	Owned
Elkhart, IN	Manufacturing	28,944	Owned
Elkhart, IN	Showroom	8,000	Leased
Bremen, IN	Manufacturing	16,000	Leased
Wakarusa, IN	Manufacturing	55,000	Leased
Edwardsburg, MI	Administrative Offices	13,150	Leased
Edwardsburg, MI	Manufacturing	51,510	Leased
Edwardsburg, MI	Manufacturing	28,839	Leased
Edwardsburg, MI	Manufacturing	24,855	Leased
Edwardsburg, MI	Manufacturing	84,000	Leased
Edwardsburg, MI	Manufacturing	160,080	Leased
Elkhart, IN	Manufacturing	65,000	Leased
Valdosta, GA	Distribution	31,000	Owned
Americus, GA	Manufacturing	50,440	Owned
Baldwyn, MS	Manufacturing	110,250	Leased
Nashville, GA	Manufacturing	72,300	Leased
Waco, TX	Manufacturing & Distribution	132,600	Owned
Manheim, PA	Distribution	12,750	Leased
Mount Joy, PA	Manufacturing	89,000	Owned
Landisville, PA	Manufacturing	6,500	Leased
Fontana, CA	Manufacturing & Distribution	72,520	Leased
Fontana, CA	Manufacturing	66,104	Leased
Tolleson, AZ	Manufacturing	22,550	Leased
Bensenville, IL	Manufacturing	54,400	Leased
Elkhart, IN	Design Center	3,200	Leased
Munford, TN	Manufacturing	62,500	Leased
Brighton, TN	Manufacturing	43,000	Leased
White Bluff, TN	Manufacturing	26,800	Leased
Vonore, TN	Manufacturing	10,000	Leased
Tualatin, OR	Distribution	30,000	Leased
Tualatin, OR	Manufacturing	46,200	Leased
Tualatin, OR	Manufacturing	8,400	Leased
Boise, ID	Manufacturing	39,300	Leased
Boise, ID	Manufacturing	78,210	Leased
Elkhart, IN	Administrative Offices	35,000	Owned
New London, NC	Rental Income	163,000	Owned (2)
Elkhart, IN	Design Center	45,000	Leased

(1) Certain facilities may contain multiple manufacturing or distribution centers.
(2) Represents an owned building, formerly used for manufacturing and distribution that is currently leased to a third party on a month-to-month basis.

Pursuant to the terms of the Company's 2015 Credit Agreement, all of its owned facilities are subject to a mortgage and security interest. In addition, there is one contract warehouse located in Minnesota that houses certain distribution inventory. Remuneration to the third party owner of this facility consists of a percentage of Patrick's sales from this facility in exchange for storage space and delivery services.

The Company's leased properties have expiration dates ranging from 2017 - 2021. Patrick believes the facilities occupied as of December 31, 2016 are adequate for the purposes for which they are currently being used and are well-maintained. The Company may, as part of its strategic operating plan, further consolidate and/or close certain owned facilities and, may not renew leases on property with near-term lease expirations. Use of its manufacturing facilities may vary with seasonal, economic, and other business conditions.

ITEM 3. LEGAL PROCEEDINGS

Patrick is subject to claims and lawsuits in the ordinary course of business. In managements' opinion, currently pending legal proceedings and claims against the Company will not, individually or in the aggregate, have a material adverse effect on its financial condition, results of operations, or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

The Company's common stock is listed on The NASDAQ Global Stock Market[SM] under the symbol PATK. The high and low trade prices per share of Patrick's common stock as reported on NASDAQ for each quarterly period during 2016 and 2015 were as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2016	**$46.39 - $29.28**	**$58.31 - $43.36**	**$69.53 - $55.00**	**$79.15 - $50.80**
2015	$42.69 - $27.07	$43.25 - $36.05	$47.38 - $34.53	$48.00 - $37.57

The quotations represent prices between dealers, do not include retail mark-ups, mark-downs, or commissions, and may not necessarily represent actual transactions.

Holders of Common Stock

As of February 17, 2017, there were 275 shareholders of record. A number of shares are held in broker and nominee names on behalf of beneficial owners.

Dividends

The Company did not pay cash dividends in 2016. Any future determination to pay cash dividends will be made by the Board of Directors in light of the Company's earnings, financial position, capital requirements, and restrictions under the Company's 2015 Credit Agreement, and such other factors as the Board of Directors deems relevant.

Purchases of Equity Securities by the Issuer

(c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
Sept. 26-Oct. 23, 2016 (2)	541	$ 62.37	—	$ 48,198,352
Oct. 24-Nov. 27, 2016 (1)	10,000	54.73	10,000	47,651,077
Nov. 28-Dec. 31, 2016	—	—	—	47,651,077
Total	10,541		10,000	

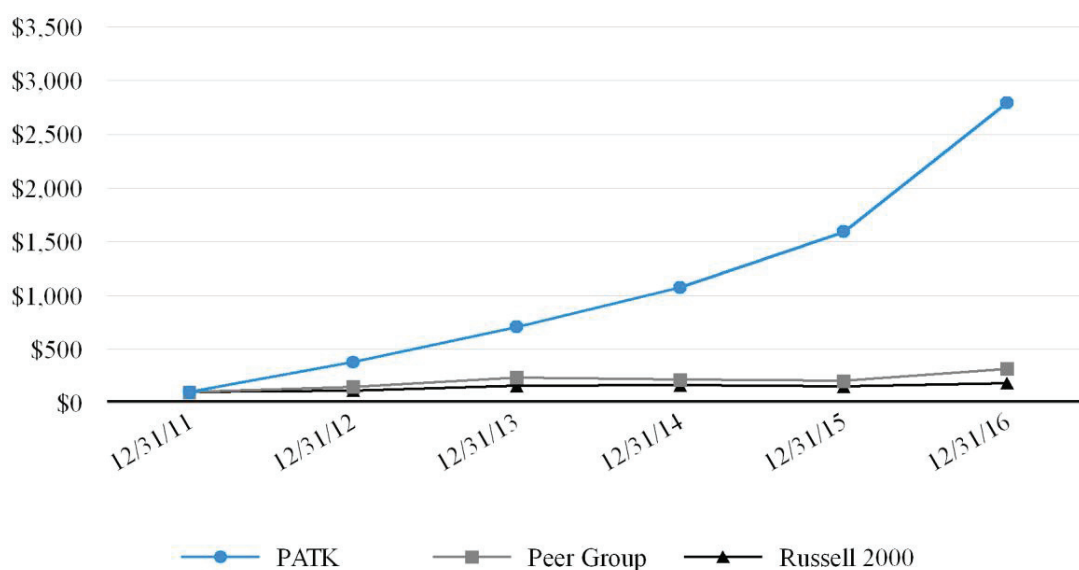
(1) Includes commissions paid to repurchase shares as part of a publicly announced plan or program.

(2) Represents shares of common stock purchased by the Company for the sole purpose of satisfying the minimum tax withholding obligations of employees upon the vesting of stock awards held by the employees.

In January 2016, the Company's Board of Directors approved a new stock repurchase program that authorizes the repurchase of up to $50 million of the Company's common stock over a 24-month period. As of December 31, 2016, approximately $47.7 million remains to be utilized under this stock repurchase program.

Stock Performance Graph

The following graph compares the cumulative 5-year total return to shareholders of the Company’s common stock relative to the cumulative total returns of the Russell 2000 index and a customized peer group of companies, which includes Arctic Cat Inc., Brunswick Corporation, Cavco Industries, Inc., LCI Industries, Spartan Motors, Inc., Thor Industries, Inc., and Winnebago Industries, Inc. This graph assumes an initial investment of $100 (with reinvestment of all dividends) was made in our common stock, in the index and in the peer group on December 31, 2011 and its relative performance is tracked through December 31, 2016.



($)	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Patrick Industries, Inc.	100.00	379.51	705.61	1,072.68	1,591.47	2,791.47
Peer Group	100.00	150.93	236.00	216.80	205.04	318.23
Russell 2000	100.00	114.63	157.05	162.60	153.31	183.17

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. SELECTED FINANCIAL DATA

	As of or for the Year Ended December 31				
	2016	2015	2014	2013	2012
	(thousands except per share amounts)				
Operating Data:					
Net sales	$ 1,221,887	$ 920,333	$ 735,717	$ 594,931	$ 437,367
Gross profit	202,469	152,279	118,503	91,023	65,744
Operating income	90,837	69,918	51,471	40,945	27,040
Net income	55,577	42,219	30,674	24,040	28,095
Basic net income per common share	$ 3.70	$ 2.76	$ 1.92	$ 1.49	$ 1.77
Diluted net income per common share	$ 3.64	$ 2.72	$ 1.91	$ 1.49	$ 1.76
Financial Data:					
Total assets (1)	$ 534,950	$ 381,584	$ 255,561	$ 174,187	$ 143,469
Total short-term and long-term debt (2)	273,153	204,484	101,054	55,000	49,716
Shareholders' equity	185,448	128,597	102,768	82,310	61,408
Cash flows from operating activities (3)	97,147	66,856	46,318	22,431	20,997

(1) Total assets as of December 31, 2015 reflect the reclassification of assets related to deferred financing costs associated with the Term Loan (as defined herein) outstanding under the Company's 2015 Credit Facility that were reclassified and presented net of long-term debt outstanding. See "Deferred Financing Costs" in Note 2 to the Consolidated Financial Statements included in this Form 10-K for additional details. In addition, total assets as of December 31, 2015 were reduced by the reclassification of long-term deferred tax liabilities to long-term deferred tax assets to conform to the current year presentation. See "Income Taxes" in Note 3 to the Consolidated Financial Statements included in this Form 10-K for additional details. Total assets as presented in the table above as of December 31, 2014, 2013 and 2012 are shown as originally reported.

(2) Total short-term and long-term debt for each of the periods presented in the table above do not reflect the reclassification of assets related to deferred financing costs to long-term debt outstanding as described in footnote (1) above.

(3) Cash flows from operating activities for the years ended December 31, 2015 and 2014 reflect the reclassification of payments related to vesting of share-based awards, net of shares tendered for tax, to cash flows from financing activities to conform to the current year presentation. Cash flows from operating activities as presented in the table above for the years ended December 31, 2013 and 2012 are shown as originally reported. See "Stock Compensation" in Note 3 to the Consolidated Financial Statements for further details.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with the Company’s Consolidated Financial Statements and Notes thereto included in Item 8 of this Report. In addition, this MD&A contains certain statements relating to future results that are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. See “Information Concerning Forward-Looking Statements” on page 3 of this Report.

This MD&A is divided into five major sections. The outline for our MD&A is as follows:

EXECUTIVE SUMMARY
Company Overview and Business Segments
Overview of Markets and Related Industry Performance
Acquisitions
Expansion
Summary of 2016 Financial Results
2016 Initiatives and Challenges
Fiscal Year 2017 Outlook

CONSOLIDATED OPERATING RESULTS
Year Ended December 31, 2016 Compared to 2015
Year Ended December 31, 2015 Compared to 2014

BUSINESS SEGMENTS
Year Ended December 31, 2016 Compared to 2015
Year Ended December 31, 2015 Compared to 2014

LIQUIDITY AND CAPITAL RESOURCES
Cash Flows
Capital Resources
Summary of Liquidity and Capital Resources
Contractual Obligations
Off-Balance Sheet Arrangements

CRITICAL ACCOUNTING POLICIES

EXECUTIVE SUMMARY

Company Overview and Business Segments

Patrick is a major manufacturer of component products and distributor of building products serving the recreational vehicle ("RV") and manufactured housing ("MH") industries, and certain other industrial markets, such as kitchen cabinet, office and household furniture, fixtures and commercial furnishings, marine and other industrial markets and operates coast-to-coast through locations in 16 states. Patrick's major manufactured products include decorative vinyl and paper laminated panels, solid surface, granite and quartz countertops, fabricated aluminum products, wrapped vinyl, paper and hardwood profile mouldings, slide-out trim and fascia, cabinet doors and components, hardwood furniture, fiberglass bath fixtures, fiberglass and plastic component products including front and rear caps and marine helms, softwoods lumber, interior passage doors, RV painting, and slotwall panels and components, among others.

The Company also distributes pre-finished wall and ceiling panels, drywall and drywall finishing products, electrical systems components, wiring, electrical and plumbing products, electronics and audio systems components, cement siding, raw and processed lumber, fiber reinforced polyester ("FRP") products, interior passage doors, roofing products, laminate and ceramic flooring, shower doors, furniture, fireplaces and surrounds, interior and exterior lighting products, and other miscellaneous products. The Company has two reportable business segments: Manufacturing and Distribution, which contributed approximately 82% and 18%, respectively, to 2016 consolidated net sales.

Overview of Markets and Related Industry Performance

Fiscal 2016 reflected a continuation of solid growth in the RV market with wholesale demand of both towable and motorized units growing by 15%. The MH market also experienced strong year-over-year wholesale industry growth of 15%. The Company estimates that approximately 50% of the Company's industrial revenue base was tied to residential housing where residential housing starts were up 6% over 2015. Overall, the Company has continued to capture market share through its strategic acquisitions, line extensions, and the introduction of new and innovative products, which resulted in its 2016 sales levels increasing beyond the general industry results.

RV Industry

The RV industry, which is the Company's primary market and comprised 75% of the Company's 2016 sales, continued to strengthen as evidenced by higher original equipment manufacturer ("OEM") production levels and wholesale unit shipments versus the prior year. According to the Recreation Vehicle Industry Association ("RVIA"), as noted in its December 2016 Market Report, wholesale shipment levels reached 430,691 units in 2016, representing an increase of approximately 15% versus 2015 and marking the seventh consecutive annual increase in RV wholesale unit shipments.

In the towables sector, wholesale shipments of travel trailers, which represent approximately 75% of the towable market, increased 18% over 2015, as noted in the RVIA's December 2016 Market Report. In addition, shipment levels of the larger, more expensive units, particularly in the fifth wheel sector, which represents approximately 21% of the towable market, grew 7% versus 2015. In the motorized market, Class A wholesale shipments, representing 41% of all motorized units shipped and the most expensive of the class on average, grew 3% year-over-year. Class Bs and Cs, which represent smaller, less expensive motorized units and approximately 59% of all motorized units shipped, increased 26% versus 2015.

Retail trends were generally strong in 2016 as combined domestic and Canadian retail unit sales for 2016 were up 10% year-over-year. Domestic RV retail unit sales, which represented 90% of overall retail sales for 2016, were up 13% versus 2015, while Canadian retail sales continued to be depressed as evidenced by a decline in retail shipments of approximately 12% for the same period, as noted per Statistical Surveys, Inc. ("SSI") for 2016. As it relates to the correlation between retail inventories and overall production levels, industry reports and dealer surveys continue to indicate that RV dealer inventory levels are in line with retail demand.

With wholesale unit shipments to the RV industry in 2016 surpassing all prior production peaks, the Company continues to believe the future looks promising for the RV industry based on a number of factors including:

- Positive industry demographic trends with younger buyers entering the market and an increasing number of baby boomers reaching retirement age;
- Readily available financing;
- New and innovative products coming to market;
- Increased strength in the overall economic environment; and
- Value of the RV lifestyle related to spending quality time with families.

The Company believes continued growth in 2017 in industry-wide retail sales and the related production levels of RVs will be dependent on the overall perception of the economy, consumer confidence levels, the domestic political and governmental environment, and equity securities market trends. On a macroeconomic level, as consumer confidence has generally trended higher over the last six to seven years, there has been a consistent trend of year-over-year increases in RV shipments for the same time period.

MH Industry

Sales growth in the MH industry, which represented approximately 13% of the Company's 2016 sales, experienced strong year-over-year unit growth of approximately 15% according to the Manufactured Housing Institute (the "MHI"). There continues to be pockets of strength, particularly in the southeast region of the country, which represents approximately 36% of the MH market and was up approximately 18% over 2015. The southwest region, which comprises another 29% of the market, increased approximately 11% year-over-year.

The Company believes there is pent up demand being created and significant upside potential for this market in the long-term based on current demographic trends including:

- Multi-family housing capacity;
- New home pricing;
- Improving credit and financing conditions; and
- Improved consumer savings levels.

The Company believes it is well positioned to capitalize on the upside potential of the MH market, especially given the combination of its nationwide geographic footprint, available capacity in its current MH concentrated locations, and its current content per unit levels.

Factors that may favorably impact production levels further in this industry include quality credit standards in the residential housing market, job growth, favorable changes in financing regulations, higher interest rates on traditional residential housing loans, and improved conditions in the asset-backed securities markets for manufactured housing loans.

Industrial Market

The industrial market is comprised primarily of the kitchen cabinet, retail and commercial fixture market, office and household furniture market and regional distributors. This market is primarily impacted by macroeconomic conditions and more specifically, conditions in the residential housing market. Sales to the industrial markets represented 12% of the Company's 2016 sales, and grew 44% over 2015 sales levels reflecting the expansion into new commercial markets, the introduction of new product lines related to acquisitions and new product development, and the penetration of adjacent markets and new geographic regions. The Company estimates approximately 50% its industrial revenue base was directly tied to the residential housing market in 2016 with the remaining half tied mainly to the retail fixture, office and commercial furnishings markets. The Company believes there is a direct correlation between the demand for its products in the residential housing market and new residential housing construction and remodeling activities. Sales to the industrial market generally lag new residential housing starts by six to nine months. New housing starts in 2016 increased approximately 6% compared to 2015 (as reported in a U.S. Department of Commerce news release dated February 16, 2017). In addition, the Company's sales in 2016 benefited from continued market share gains, particularly in the commercial and institutional fixtures markets.

The Company believes that projected continued low interest rates, overall expected economic improvement, and pent up demand are some of the drivers that will continue to positively impact the housing industry for the next several years.

In order to offset some of the impacts of the weakness in the residential housing market in recent years, the Company has focused on diversification efforts, strategic acquisitions, and increased penetration into the commercial and multi-family housing markets with the addition of new sales territories and personnel. Additionally, the Company has targeted certain sales efforts towards market segments that are less directly tied to new single and multi-family home construction, including the marine, retail fixture, office, medical, and institutional furnishings, and countertop markets. As a result, the Company has seen a shift in its product mix, which has had a positive impact on revenue from the industrial markets.

Acquisitions

In 2016, the Company completed seven acquisitions involving eight companies, that are listed below, all of which provided the opportunity to increase its product offerings, market share and per unit content in the three primary markets it serves.

- **Parkland Plastics, Inc. ("Parkland")** is a designer, manufacturer and distributor of polymer-based products primarily serving the RV, architectural and industrial markets.
- **The Progressive Group ("Progressive")** is a distributor and manufacturer's representative for major name-brand electronics, primarily serving the auto and home electronics, retail, and custom integration and commercial channels.
- **Cana Holdings, Inc. ("Cana")** is a custom cabinetry manufacturer primarily serving the MH industry and the residential, hospitality and institutional markets.
- **Mishawaka Sheet Metal, LLC ("MSM")** is a full service distributor and fabricator of a wide variety of aluminum and steel products serving both the RV and industrial markets.
- **Vacuplast, LLC d/b/a L.S. Manufacturing, Inc. ("LS Mfg.")** is a manufacturer of a wide variety of thermoformed plastic parts and components primarily for the RV market and certain industrial markets.
- **BH Electronics, Inc. ("BHE")** is a major designer, engineer and manufacturer of custom thermoformed dash panel assemblies, center consoles and trim panels, complete electrical systems, and related components and parts primarily for recreational boat manufacturers in the U.S.

- **Sigma Wire International, LLC ("Sigma") and KRA International, LLC ("KRA") (together, "Sigma/KRA")** Sigma is a manufacturer of a wide range of PVC insulated wire and cable products primarily for the RV and marine markets. KRA, which operates primarily in the RV and industrial markets, is a manufacturer of wire harnesses and associated assemblies for RVs, commercial vehicles, lawn care equipment, marine products, the defense industry, and automotive aftermarket products.

Expansion

The Company focused on facility and capacity expansions in 2016 to align with core OEM expansions. With this focus, the Company capitalized on commercial and industrial synergies in key regions to support profitable growth, grow its customer base, and expand its geographical product reach outside its core Midwest market by:

- Opening a new solid surface countertop manufacturing facility in Southern California;
- Opening two new facilities in the Pacific Northwest, in Oregon and Idaho, to provide laminated products and interior doors;
- Opening a new countertop manufacturing facility in Mississippi; and
- Increasing capacity and footprint in Pennsylvania to support growing industrial market opportunities in the Northeast.

Summary of 2016 Financial Results

Below is a summary of the Company's 2016 financial results. Additional detailed discussions are provided elsewhere in this MD&A and in the Notes to the Consolidated Financial Statements.

- **Net sales** increased $301.6 million or 33% in 2016 to $1.2 billion, compared to $920.3 million in 2015 primarily reflecting: (i) increased RV, MH, and industrial market penetration through acquisitions and market share gains; (ii) an increase in wholesale unit shipments in the RV and MH industries; and (iii) improved residential housing starts.
- **Gross profit** increased $50.2 million to $202.5 million, or 16.6% of net sales in 2016, compared with gross profit of $152.3 million or 16.5% of net sales in 2015. Gross profit was positively impacted by higher sales levels relative to overall fixed overhead costs, new higher margin product lines, and the contribution of acquisitions. These positive contributions were partially offset in 2016 by certain capacity strains and labor inefficiencies, particularly in the Company's Midwest facilities, and to a lesser extent, the impact of higher health insurance costs.
- **Operating income** increased $20.9 million to $90.8 million in 2016, compared to $69.9 million in 2015. Operating income in 2016 was positively impacted by the factors described above.
- **Net income** was $55.6 million or $3.64 per diluted share in 2016, compared to $42.2 million or $2.72 per diluted share for 2015.

2016 Initiatives and Challenges

In fiscal year 2016, the Company's primary focus was on gaining market share through the introduction of new products to the marketplace and the execution of strategic acquisitions and expansions, maximizing operating efficiencies, managing and developing the talent pool, and further embedding a ‘Customer 1st’ performance oriented culture.

Specific execution items in 2016 include:

- Investing approximately $139 million in seven acquisitions involving eight companies. These acquisitions had estimated full year 2016 revenues in the aggregate of approximately $167 million, of which approximately $92 million was included in 2016 operating results from the respective dates of acquisition.
- Reinvesting $15.4 million through capital expenditures, which included spending related to facility expansions and upgrades, and strategically replacing and upgrading production equipment to improve efficiencies and increase capacity.
- Increasing RV content per unit to $2,126 in 2016 from $1,845 in 2015.
- Increasing MH content per unit to $1,966 in 2016 from $1,825 in 2015.

Fiscal Year 2017 Outlook

The three primary markets Patrick serves experienced steady growth in 2016, which the Company expects to continue into 2017. While the ongoing trend involving a shift in buying patterns towards smaller and more moderately priced towables and motorized units continues to moderately impact the Company's overall dollar content per unit growth in the short-term, the Company views this shift as a positive indicator of a broadening consumer base and an opportunity for long-term industry growth. In addition, the Company anticipates a further increase in production levels in the MH industry in 2017, reflecting improvement in the overall economy and consistent with the improvement in single-family residential housing starts. The National Association of Home Builders ("NAHB") (per their housing and interest rate forecast as of February 3, 2017) is currently forecasting an approximate 6% year-over-year increase in new housing starts in 2017 compared to 2016.

We will continue to review our operations on a regular basis, balance appropriate risks and opportunities, and maximize efficiencies to support the Company's long-term strategic growth goals. Our team remains focused on strategic acquisitions in our existing, similar or complementary businesses, expanding operations in targeted regional territories, capturing market share and increasing our per unit content, keeping costs aligned with revenue, maximizing operating efficiencies, talent management, and the execution of our organizational strategic agenda.

In conjunction with our organizational strategic agenda, we will continue to make targeted capital investments to support new business and leverage our operating platform, and we will continue to work to strengthen and broaden customer relationships and meet customer demands with the highest quality service and the goal of continually exceeding our customers' expectations. The current capital plan for full year 2017 includes expenditures of approximately $16.0 million related primarily to facility expansion costs outside of our core Midwest market, strategic replacement and upgrading of production equipment to improve efficiencies and increase capacity, and other strategic capital and maintenance improvements. We will continue to assess our capital expenditure needs given market demands and make adjustments where necessary to address capacity constraints within the Company's operations.

CONSOLIDATED OPERATING RESULTS

The following table sets forth the percentage relationship to net sales of certain items on the Company's consolidated statements of income for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31,		
	2016	2015	2014
Net sales	**100.0%**	100.0%	100.0%
Cost of goods sold	**83.4**	83.5	83.9
Gross profit	**16.6**	16.5	16.1
Warehouse and delivery expenses	**3.0**	2.9	3.6
Selling, general and administrative expenses	**5.1**	5.0	4.9
Amortization of intangible assets	**1.1**	1.0	0.6
Operating income	**7.4**	7.6	7.0
Interest expense, net	**0.6**	0.5	0.3
Income taxes	**2.3**	2.5	2.5
Net income	**4.5**	4.6	4.2

Year Ended December 31, 2016 Compared to 2015

Net Sales. Net sales in 2016 increased $301.6 million or 33%, to $1.2 billion from $920.3 million in 2015. The increase was attributable to a 32% increase in the Company's revenues from the RV industry, a 26% increase in revenues from the MH industry, and a 44% increase in revenues from the industrial markets. The revenue increase largely reflected the revenue contribution of the 2016 acquisitions and the incremental revenue contributions of the acquisitions completed in 2015. In 2016 and 2015, revenue attributable to acquisitions completed in each of those periods was $92.3 million and $101.1 million, respectively. The sales increase in 2016 is also attributable to: (i) increased RV, MH and industrial market penetration; (ii) an

increase in wholesale unit shipments in the RV and MH industries; and (iii) improved residential housing starts in the overall market.

Partially offsetting revenue growth in 2016, was the continued mix shift towards a larger concentration of entry level and lower priced RV units, which the RV industry started to experience in the second quarter of 2015, particularly related to travel trailers in the towable sector of the industry, which negatively impacted content per unit growth. The Company's RV content per unit for 2016 increased 15% to $2,126 from $1,845 in 2015. The MH content per unit for the full year 2016 increased 8% to $1,966 from $1,825 in 2015. Organic growth in the Company's RV content per unit began to improve in the third quarter of 2016 with the anniversary of the mix shift noted above, as well as strong growth in shipments of fifth wheels which have higher per unit content.

Wholesale unit shipments in the RV industry, which represented approximately 75% of the Company's sales in 2016, increased approximately 15% compared to 2015. Wholesale unit shipments to the MH industry, which represented 13% of the Company's 2016 sales, increased approximately 15% compared to 2015. The industrial market sector accounted for approximately 12% of the Company's sales in 2016. The Company estimates that approximately 50% of its industrial revenue base is directly tied to the residential housing market, which experienced a 6% increase in new housing starts, as reported in a U.S. Department of Commerce news release dated February 16, 2017.

Cost of Goods Sold. Cost of goods sold increased $251.4 million or 33%, to $1.0 billion in 2016 from $768.1 million in 2015. As a percentage of net sales, cost of goods sold decreased slightly during 2016 to 83.4% from 83.5% in 2015.

Cost of goods sold as a percentage of net sales was positively impacted during 2016 by: (i) increased revenue relative to overall fixed overhead costs; (ii) the impact of acquisitions completed during 2016 and 2015 and the addition of new higher margin product lines; (iii) workflow changes designed to automate certain processes, improve efficiencies, and expand capacity; and (iv) the realization of operating synergies. Offsetting these positive factors was the impact of unseasonably strong RV wholesale shipments in excess of expected seasonal demand patterns in the second half of 2016, the operational complexities related to the model year changeovers which generated certain internal capacity constraints and labor inefficiencies due to overtime and employee turnover, particularly in Patrick's Midwest facilities, and to a lesser extent, higher health insurance costs.

Gross Profit. Gross profit increased $50.2 million or 33%, to $202.5 million in 2016 from $152.3 million in 2015. As a percentage of net sales, gross profit increased slightly to 16.6% in 2016 from 16.5% in 2015. The improvement in gross profit dollars and as a percentage of net sales in 2016 compared to 2015 reflected the positive impact of the factors discussed above under "Cost of Goods Sold", including the positive contribution to gross profit of acquisition-related revenue growth as noted above.

Economic or industry-wide factors affecting the profitability of the Company's RV, MH, and industrial businesses include the costs of commodities used to manufacture products and the competitive environment that can cause gross margins to fluctuate from quarter-to-quarter and year-to-year.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased $9.0 million or 33%, to $36.1 million in 2016 from $27.1 million in 2015. The expense increase was primarily attributable to increased sales volumes. As a percentage of net sales, warehouse and delivery expenses were 3.0% in 2016 and 2.9% in 2015.

Selling, General and Administrative ("SG&A") Expenses. SG&A expenses increased $15.7 million or 34%, to $62.2 million in 2016 from $46.5 million in 2015. As a percentage of net sales, SG&A expenses were 5.1% in 2016 and 5.0% in 2015. The net increase in SG&A expenses in 2016 compared to 2015 primarily reflected the impact of additional headcount and administrative expenses associated with recent acquisitions and increased stock-based and incentive compensation expense designed to attract and retain key employees.

Amortization of Intangible Assets. Amortization of intangible assets increased $4.6 million in 2016 compared to the prior year, primarily reflecting the impact of businesses acquired in 2015 and in 2016. In the aggregate, in conjunction with the 2015 and 2016 acquisitions, the Company recognized $103.5 million in certain finite-lived intangible assets that are being amortized over periods ranging from two to 10 years.

Operating Income. Operating income increased $20.9 million or 30% to $90.8 million in 2016 from $69.9 million in 2015. Operating income in 2016 and 2015 included $10.3 million and $11.8 million, respectively, related to the acquisitions completed in each such year. Operating income as a percentage of net sales decreased from 7.6% in 2015 to 7.4% in 2016. The change in operating income and operating margin is primarily attributable to the items discussed above.

Interest Expense, Net. Interest expense increased $2.9 million to $7.2 million in 2016 from $4.3 million in 2015 reflecting increased borrowings primarily to fund acquisitions and increased working capital needs in 2016.

Income Taxes. The Company recorded income taxes at a full year blended rate of 33.6% for 2016 and 35.6% for 2015. The reduction in the effective tax rate was primarily attributable to the reclassification of $1.3 million of excess tax benefits related to the exercise or vesting of share-based payment awards in the first nine months of 2016, that were previously recorded in additional paid-in capital upon realization, as a reduction to income tax expense. The reclassification resulted from the Company's adoption of a new accounting standard as described in the "Stock Compensation" section of Note 3 to the Consolidated Financial Statements. The Company's combined effective income tax rate from period to period and for the full year 2017 could further fluctuate due to: (i) refinements in federal and state income tax estimates, which are impacted by the availability of tax credits; (ii) permanent differences impacting the effective tax rate; (iii) shifts in apportionment factors among states as a result of recent acquisition activity and other factors; and (iv) the timing of the recognition of excess tax benefits related to the vesting of share-based payments awards as previously discussed.

In 2016 and 2015, the Company realized approximately $3.2 million and $2.9 million, respectively, of additional taxable deductions related to excess benefits on share-based compensation, which had not been recorded as deferred tax assets at December 31, 2015 and 2014. In 2016, these tax benefits were recorded as a reduction to income tax expense upon realization in relation to the adoption of the share-based payment awards accounting standard. In 2015, such tax benefits were recorded to additional paid-in capital upon realization as required under the previous issued accounting standard.

From a tax perspective, the Company had various state net operating loss carry forwards ("NOLs") of approximately $0.7 million at December 31, 2015, of which approximately $0.3 million were remaining to be utilized as of December 31, 2016. The state NOLs were used to partially offset the cash portion of the income tax provision for 2016 and 2015. In 2016 and 2015, the Company made quarterly estimated tax payments consistent with its expected annual 2016 and 2015 federal and state income tax liability.

Net Income. Net income for 2016 was $55.6 million or $3.64 per diluted share compared to $42.2 million or $2.72 per diluted share for 2015. The changes in net income for 2016 reflected the impact of the items previously discussed, while the change in net income per diluted share also reflects a reduction in diluted shares outstanding in 2016 compared to 2015 as a result of the Company's share repurchase program.

Year Ended December 31, 2015 Compared to 2014

Net Sales. Net sales in 2015 increased $184.6 million or 25%, to $920.3 million from $735.7 million in 2014. The increase was attributable to a 26% increase in the Company's revenues from the RV industry, an 18% increase in revenues from the MH industry, and a 27% increase in revenues from the industrial markets. Approximately $176.9 million of the revenue increase reflected the revenue contributions of the acquisitions completed in 2015 and the incremental revenue contributions of the 2014 acquisitions.

The sales increase in 2015 is also primarily attributable to: (i) increased RV, MH and industrial market penetration; (ii) improved office and institutional furnishings and retail and commercial fixtures sales in the industrial market; (iii) an increase in wholesale unit shipments in the RV and MH industries; and (iv) improved residential housing starts. Our sales to the industrial market sector, which is primarily tied to the residential housing and commercial and retail fixture markets, generally lag new residential housing starts by approximately six to nine months.

Partially offsetting this revenue growth in 2015 was the mix shift in the RV industry towards a larger concentration of entry level and lower priced units in both the towables and motorized sectors of the industry, which negatively impacted content per unit growth, and price declines in certain more commodity-oriented raw materials passed on to customers that we utilize in our manufacturing processes. The Company's RV content per unit for 2015 increased 20% to $1,845 from $1,536 in 2014. The MH content per unit for the full year 2015 increased 8% to $1,825 from $1,692 in 2014.

The RV industry, which represented approximately 75% of the Company's sales in 2015, saw wholesale unit shipments increase by approximately 5% compared to 2014. The MH industry, which represented 14% of the Company's 2015 sales, experienced a 10% increase in wholesale unit shipments compared to 2014. The industrial market sector accounted for approximately 11% of the Company's sales in 2015. We estimate that approximately 50% of our industrial revenue base was directly tied to the residential housing market, which experienced an increase in new housing starts of approximately 11% in 2015 compared to 2014 (as reported by the U.S. Department of Commerce).

Cost of Goods Sold. Cost of goods sold increased $150.9 million or 24%, to $768.1 million in 2015 from $617.2 million in 2014. As a percentage of net sales, cost of goods sold decreased during 2015 to 83.5% from 83.9% in 2014.

Cost of goods sold as a percentage of net sales was positively impacted during 2015 by: (i) increased revenues relative to our overall fixed overhead costs; (ii) the impact of acquisitions completed during 2015 and 2014 and the addition of new higher margin product lines; and (iii) ongoing process changes that primarily improved material yields and resulted in the realization of operating synergies.

Gross Profit. Gross profit increased $33.8 million or 29%, to $152.3 million in 2015 from $118.5 million in 2014. As a percentage of net sales, gross profit increased to 16.5% in 2015 from 16.1% in 2014. The improvement in gross profit dollars and as a percentage of net sales in 2015 compared to 2014 reflected the positive impact of the factors discussed above under "Cost of Goods Sold", including the positive contribution to gross profit of acquisition-related revenue growth as noted above.

Economic or industry-wide factors affecting the profitability of our RV, MH, and industrial businesses included the costs of commodities used to manufacture our products and the competitive environment that can cause gross margins to fluctuate from quarter-to-quarter and year-to-year.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased $0.9 million or 4%, to $27.1 million in 2015 from $26.2 million in 2014. The expense increase was primarily attributable to increased sales volumes.

As a percentage of net sales, warehouse and delivery expenses were 2.9% in 2015 and 3.6% in 2014. The decrease as a percentage of net sales primarily reflected: (i) the impact of market share gains related to increased direct ship business in our Distribution segment; (ii) a reduction in fuel costs; (iii) the impact of acquisitions completed in 2014 and 2015 with lower delivery expenses as a percentage of net sales when compared to the consolidated percentage; and (iv) more efficient utilization per delivery truckload.

SG&A Expenses. SG&A expenses increased $10.1 million or 28%, to $46.5 million in 2015 from $36.4 million in 2014. As a percentage of net sales, SG&A expenses were 5.0% in 2015 and 4.9% in 2014. The net increase in SG&A expenses in 2015 compared to 2014 primarily reflected the impact of additional headcount and administrative expenses associated with recent acquisitions and increased stock-based and incentive compensation expense designed to attract and retain key employees.

Amortization of Intangible Assets. Amortization of intangible assets increased $4.3 million in 2015 compared to the prior year, primarily reflecting the impact of businesses acquired in 2014 and in 2015. In the aggregate, in conjunction with the 2014 and 2015 acquisitions, the Company recognized $73.1 million in certain finite-lived intangible assets that are being amortized over periods ranging from two to 10 years.

Operating Income. Operating income increased $18.4 million or 36% to $69.9 million in 2015 from $51.5 million in 2014. Operating income in 2015 and 2014 included $11.8 million and $3.1 million, respectively, related to the acquisitions completed in each such year. Operating income as a percentage of net sales increased from 7.0% in 2014 to 7.6% in 2015. The change in operating income and operating margin was primarily attributable to the items discussed above.

Interest Expense, Net. Interest expense increased $1.9 million to $4.3 million in 2015 from $2.4 million in 2014 reflecting increased borrowings primarily to fund acquisitions and increased working capital needs in 2015.

Income Taxes. The Company recorded income taxes at a full year blended rate of 35.6% for 2015 and 37.5% for 2014. The reduction in the effective tax rate was primarily attributable to R&D tax credits of approximately $1.0 million that were realized in 2015 with no comparable amount in 2014. In 2015 and 2014, the Company realized approximately $2.9 million and $2.7 million, respectively, of additional taxable deductions related to excess benefits on stock-based compensation, which had not been recorded as deferred tax assets at December 31, 2014 and 2013. These tax benefits were recorded to shareholders' equity upon realization in 2015 and 2014.

From a tax perspective, the Company had various state net operating loss carry forwards ("NOLs") of approximately $1.6 million at December 31, 2014, of which approximately $0.7 million were remaining to be utilized as of December 31, 2015. The state NOLs were used to partially offset the cash portion of the income tax provision for 2015 and 2014. In 2015 and 2014, the Company made quarterly estimated tax payments consistent with its expected annual 2015 and 2014 federal and state income tax liability.

Net Income. Net income for 2015 was $42.2 million or $2.72 per diluted share compared to $30.7 million or $1.91 per diluted share for 2014. The changes in net income for 2015 reflected the impact of the items previously discussed, while the change in net income per diluted share also reflected a reduction in diluted shares outstanding in 2015 compared to 2014 as a result of the Company's share repurchase program.

BUSINESS SEGMENTS

The Company has determined that its reportable segments are those based on its method of internal reporting, which segregates its businesses by product category and production/distribution process. The Company regularly evaluates the performance of each segment and allocates resources to them based on a variety of indicators including sales, cost of goods sold, and operating income.

The Company's reportable business segments are as follows:

- **Manufacturing** – This segment includes the following divisions: laminated products that are utilized to produce furniture, shelving, walls, countertops, and cabinet products, cabinet doors, fiberglass bath fixtures, hardwood furniture, vinyl printing, solid surface, granite, and quartz countertop fabrication, RV painting, fabricated aluminum products, fiberglass and plastic components, softwoods lumber, custom cabinetry, polymer-based flooring, electrical systems components, and other products. Patrick's major manufactured products also include wrapped vinyl, paper and hardwood profile mouldings, interior passage doors, slide-out trim and fascia, and slotwall panels and components.

- **Distribution** – The Company distributes pre-finished wall and ceiling panels, drywall and drywall finishing products, electronics and audio systems components, wiring, electrical and plumbing products, fiber reinforced polyester products, cement siding, interior passage doors, roofing products, laminate and ceramic flooring, shower doors, furniture, fireplaces and surrounds, interior and exterior lighting products, and other miscellaneous products.

Sales pertaining to the manufacturing and distribution segments as stated in the table below and in the following discussions include intersegment sales. Gross profit includes the impact of intersegment operating activity.

The table below presents information about the sales, gross profit, and operating income of the Company's operating segments. A reconciliation to consolidated totals is presented in Note 17 to the Consolidated Financial Statements.

	Years Ended December 31,		
(thousands)	**2016**	2015	2014
Sales			
Manufacturing	**$ 1,020,392**	$ 738,375	$ 567,152
Distribution	**227,580**	202,487	189,438
Gross Profit			
Manufacturing	**166,796**	122,337	89,963
Distribution	**38,317**	31,601	29,063
Operating Income			
Manufacturing	**107,105**	78,582	55,838
Distribution	**15,001**	12,790	10,659

Year Ended December 31, 2016 Compared to 2015

Manufacturing

Sales. Sales increased $282.0 million or 38%, to $1.0 billion from $738.4 million in 2015. This segment accounted for approximately 82% of the Company's consolidated net sales in 2016. The sales increase reflected a 40%, 42% and 27% increase in the Company's revenue from the RV, MH, and industrial markets, respectively, on a year-over-year basis.

The revenue increase largely reflected the revenue contribution of the acquisitions completed in 2016 and the incremental revenue contributions of the 2015 acquisitions. In 2016 and 2015, revenue attributable to acquisitions completed in each of those periods was $74.0 million and $101.1 million, respectively. The sales increase in 2016 is also primarily attributable to: (i) increased RV, MH and industrial market penetration; (ii) an increase in wholesale unit shipments in both the RV and MH industries of 15% in 2016; and (iii) improved residential housing starts in the overall market. Partially offsetting revenue growth in 2016, was the continued mix shift in the RV industry towards a larger concentration of entry level and lower priced units, which the RV industry started to experience in the second quarter of 2015, particularly related to travel trailers in the towable sector of the industry, which negatively impacted content per unit growth.

Gross Profit. Gross profit increased $44.5 million to $166.8 million in 2016 from $122.3 million in 2015. As a percentage of sales, gross profit decreased to 16.3% in 2016 from 16.6% in 2015. The overall decline in gross profit as a percentage of sales primarily reflected the impact of RV wholesale shipments in excess of expected seasonal demand patterns in the second half of 2016, which when combined with the operational complexities related to the model year changeovers, generated certain internal capacity constraints and labor inefficiencies due to overtime and employee turnover, particularly in Patrick's Midwest facilities. In addition, gross profit dollars and as a percentage of sales for 2016 benefited from: (i) the addition of new, higher margin product lines; (ii) the impact of acquisitions completed during 2015 and 2016; and (iii) higher revenue relative to overall fixed overhead costs.

Operating Income. Operating income increased $28.5 million to $107.1 million in 2016 from $78.6 million in 2015. Operating income in 2016 included $9.5 million attributable to the acquisitions completed in 2016. Operating income in 2015 attributable to acquisitions completed in 2015 was $11.8 million. The improvement in operating income primarily reflects the increase in gross profit mentioned above.

Distribution

Sales. Sales increased $25.1 million or 12%, to $227.6 million in 2016 from $202.5 million in 2015. This segment accounted for approximately 18% of the Company's consolidated net sales for 2016. The sales increase largely reflected an increase in the Company's revenue from the industrial markets.

The 2016 acquisition of Progressive contributed approximately $18.3 million to total sales in the Distribution segment in 2016. The acquisitions completed in 2015 were all related to the Manufacturing segment, and therefore there was no impact from these acquisitions on revenues in the Distribution segment. The sales improvement in 2016 also reflected: (i) the positive impact of increased market penetration; and (ii) a 15% increase in wholesale unit shipments in the MH industry.

Gross Profit. Gross profit increased $6.7 million to $38.3 million in 2016 from $31.6 million in 2015. As a percentage of sales, gross profit was 16.8% in 2016 compared to 15.6% in 2015. The increase in gross profit as a percentage of sales for 2016 is primarily attributable to the strategic exit of certain negative or lower margin product lines within several of the Company's distribution businesses.

Operating Income. Operating income in 2016 increased $2.2 million to $15.0 million from $12.8 million in 2015. The acquisition of Progressive contributed approximately $0.8 million to total operating income in the Distribution segment in 2016. The acquisitions completed in 2015 were all related to the Manufacturing segment, and therefore there was no impact to operating income from these acquisitions in the Distribution segment. The improvement in operating income primarily reflects the increase in gross profit mentioned above.

Unallocated Corporate Expenses

Unallocated corporate expenses in 2016 increased $5.2 million to $17.9 million from $12.7 million in 2015. Unallocated corporate expenses in 2016 included the impact of increased stock-based compensation expense in 2016 of approximately $1.8 million and an increase in administrative wages, incentives and payroll taxes, and additional headcount associated with the 2015 and 2016 acquisitions.

Year Ended December 31, 2015 Compared to 2014

Manufacturing

Sales. Sales increased $171.2 million or 30%, to $738.4 million from $567.2 million in 2014. This segment accounted for approximately 78% of the Company's consolidated net sales in 2015. The sales increase reflected a 33%, 25% and 28% increase in the Company's revenue from the RV, MH, and industrial markets, respectively, on a year-over-year basis.

Approximately $160.1 million of the revenue improvement in 2015 was attributable to the 2015 acquisitions and to the incremental contribution of acquisitions completed in 2014. The remaining sales increase of $11.1 million was primarily attributable to: (i) increased RV, MH and industrial market penetration; (ii) an increase in wholesale unit shipments in the RV and MH industries of 5% and 10% in 2015, respectively; and (iii) improved retail and commercial fixtures and furniture business in the industrial markets. Partially offsetting this revenue growth was the mix shift in the RV industry towards a larger concentration of entry level and lower priced units, which negatively impacted content per unit growth, and price declines in certain more commodity-oriented raw materials passed on to customers that the Company utilizes in its manufacturing processes.

Gross Profit. Gross profit increased $32.3 million to $122.3 million in 2015 from $90.0 million in 2014. As a percentage of sales, gross profit increased to 16.6% in 2015 from 15.9% in 2014. Gross profit for 2015 improved primarily as a result of: (i) the impact of acquisitions completed during 2014 and 2015 and the addition of new, higher margin product lines; (ii) higher revenue relative to overall fixed overhead costs; and (iii) ongoing process changes that primarily increased material yields and resulted in the realization of operating synergies.

Operating Income. Operating income increased $22.8 million to $78.6 million in 2015 from $55.8 million in 2014. Operating income in 2015 included $11.8 million attributable to the acquisitions completed in 2015. Operating income in 2014 attributable to acquisitions completed in 2014 was $1.4 million. The improvement in operating income primarily reflected the increase in gross profit mentioned above in addition to a reduction in fuel costs and more efficient utilization per delivery truckload. Higher SG&A expenses as a percentage of net sales in 2015, which reflected the incremental impact of acquisitions completed in 2014 and increased sales, salaried and administration spending to support expected growth, partially offset the operating income improvement over 2014.

Distribution

Sales. Sales increased $13.1 million or 7%, to $202.5 million in 2015 from $189.4 million in 2014. This segment accounted for approximately 22% of the Company's consolidated net sales for 2015. The sales increase reflected a 5%, 9%, and 19% increase in the Company's revenue from the RV, MH, and industrial markets, respectively, on a year-over-year basis.

The 2015 acquisitions and the incremental contribution of acquisitions completed in 2014 were responsible for approximately $16.8 million of revenue improvement in 2015. The sales improvement in 2015 also reflected: (i) the positive impact of increased market penetration; (ii) revenue due to additional direct ship distribution business added in the latter half of 2014 in the MH market; and (iii) a 10% increase in wholesale unit shipments in the MH industry. Partially offsetting this revenue growth in 2015 was the mix shift in the RV industry towards a larger concentration of entry level and lower priced units.

Gross Profit. Gross profit increased $2.5 million to $31.6 million in 2015 from $29.1 million in 2014. As a percentage of sales, gross profit was 15.6% in 2015 compared to 15.3% in 2014. The increase in gross profit as a percentage of sales for 2015 was primarily attributable to leveraging fixed costs on higher sales volumes.

Operating Income. Operating income in 2015 increased $2.1 million to $12.8 million from $10.7 million in 2014. Operating income attributable to acquisitions completed in 2014 was $1.7 million. The acquisitions completed in 2015 were all related to the manufacturing segment, therefore, there was no impact to operating income in the distribution segment. The improvement in operating income primarily reflected the increase in gross profit mentioned above in addition to a reduction in fuel costs and more efficient utilization per delivery truckload.

Unallocated Corporate Expenses

Unallocated corporate expenses in 2015 increased $2.2 million to $12.7 million from $10.5 million in 2014. Unallocated corporate expenses in 2015 included the impact of increased stock-based compensation expense in 2015 of approximately $1.4 million. Unallocated corporate expenses in 2015 included the impact of an increase in administrative wages, incentives and payroll taxes, and additional headcount associated with the 2014 and 2015 acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Operating Activities

Cash flows from operations represent the net income the Company earned in the reported periods adjusted for non-cash items and changes in operating assets and liabilities. Its primary source of liquidity have been cash flows from operating activities and borrowings under the 2015 Credit Facility (as defined herein). The principal uses of cash are to support working capital demands, meet debt service requirements and support the Company's capital allocation strategy, which includes acquisitions, capital expenditures, and repurchases of the Company's common stock, among others.

Net cash provided by operating activities was $97.1 million in 2016 compared to $66.9 million in 2015. Net income was $55.6 million in 2016 compared to $42.2 million in the prior year. Net of acquisitions, trade receivables decreased $11.3 million in 2016 compared to a $9.0 million decrease in 2015, reflecting the impact of plant shutdowns by certain of its larger customers in the latter part of December 2016 for the holiday season that was partially offset by increased sales levels and seasonal trends in each of those periods, including the post-acquisition sales increases of the acquisitions completed in 2016, 2015 and 2014.

Inventories, net of acquisitions, increased $12.5 million in 2016, primarily reflecting the sales volumes and inventory levels associated with acquisitions. Inventories, net of acquisitions, decreased $3.0 million in 2015, primarily resulting from the Company's continued focus on improving inventory turns and the management of direct shipment business in the Distribution segment. Partially offsetting the inventories decrease in 2015 were higher sales volumes and related higher inventory levels associated with acquisitions. The Company continually works with its key suppliers to match lead-time and minimum order requirements, although it may see fluctuations in inventory levels from quarter to quarter as a result of taking advantage of strategic buying opportunities.

The $12.8 million net increase in accounts payable, accrued liabilities and other in 2016 compared to the $8.7 million net decrease in 2015, primarily reflected the timing of payments related to the Company's cash management and purchase discount initiatives to maximize discounts available on inventory procurement and the timing and impact of acquisitions.

The Company paid income taxes of $29.2 million and $24.1 million in 2016 and 2015, respectively. The Company had various state NOLs of approximately $0.7 million at December 31, 2015, of which approximately $0.3 million were remaining to be utilized as of December 31, 2016. In 2016 and 2015, the Company made quarterly estimated tax payments consistent with its expected annual 2016 and 2015 federal and state income tax liability.

In 2016 and 2015, the Company realized approximately $3.2 million and $2.9 million, respectively, of additional taxable deductions related to excess benefits on share-based compensation, which had not been recorded as deferred tax assets at December 31, 2015 and 2014. In 2016, these tax benefits were recorded as a reduction to income tax expense upon realization in relation to the adoption of the share-based payment awards accounting standard. In 2015, such tax benefits were recorded to additional paid-in capital upon realization as required under the previous accounting standard.

Net cash provided by operating activities was $66.9 million in 2015 compared to $46.3 million in 2014. Net income was $42.2 million in 2015 compared to $30.7 million in the prior year. Net of acquisitions, trade receivables decreased $9.0 million in 2015 and increased $1.9 million in 2014, reflecting the impact of plant shutdowns by certain of the Company's larger customers in mid-to-late December 2015 for the holiday season that was partially offset by increased sales levels and seasonal trends in each of those periods, including the post-acquisition sales increases of the acquisitions completed in 2015, 2014 and 2013. Inventories, net of acquisitions, decreased $3.0 million in 2015 primarily reflecting the Company's continued focus in improving inventory turns and the management of direct shipment business in the Distribution segment. Partially offsetting the inventories decrease in 2015 were higher sales volumes and related higher inventory levels associated with acquisitions completed in 2015, 2014 and 2013. The $1.7 million increase in inventories, net of acquisitions in 2014, primarily reflected higher sales volumes and related higher inventory levels associated with acquisitions. The $8.7 million decrease in accounts payable, accrued liabilities and other compared to the $4.9 million net increase in 2014 primarily reflected the timing of payments related to the Company's cash management, purchase discount initiatives to maximize discounts available on inventory procurement, and the impact of acquisitions.

Investing Activities

Investing activities used cash of $154.0 million in 2016 primarily to fund the acquisitions of Parkland, Progressive, Cana, MSM, LS Mfg., BHE and Sigma/KRA for $138.8 million in the aggregate, and for capital expenditures of $15.4 million. Investing activities used cash of $147.4 million in 2015 primarily to fund the acquisitions of Better Way, SCI and North American, together totaling $140.2 million, and capital expenditures of $8.0 million.

Investing activities used cash of $78.6 million in 2014 primarily to fund the acquisitions of Precision, Foremost, PolyDyn3 and Charleston, together totaling $72.1 million, and capital expenditures of $6.5 million.

The Company's current operating model forecasts capital expenditures for fiscal 2017 of approximately $16.0 million related to facility expansion costs outside of our core Midwest market, strategic replacement and upgrading of production equipment to improve efficiencies and increase capacity, and maintenance capital expenditures at certain of our facilities.

Financing Activities

Net cash flows provided by financing activities were $63.2 million in 2016 compared to $80.5 million in 2015. Incremental borrowings related to the Term Loan (as defined herein) and net borrowings on the 2015 Revolver (as defined herein) were $81.9 million in the aggregate in 2016. These borrowings were primarily used in 2016 to fund acquisitions, stock repurchases, and capital expenditures, totaling $159.5 million in the aggregate. In addition, the Company paid down $13.2 million in principal on the Term Loan in accordance with its scheduled debt service requirements.

In 2016, the Company repurchased 120,738 shares of its common stock for a total cost of $5.2 million. See Note 12 to the Consolidated Financial Statements for additional details. In addition, cash flows from financing activities included $1.9 million of proceeds received from the exercise of stock options in both 2016 and 2015.

Net cash flows provided by financing activities were $80.5 million in 2015 compared to $32.4 million in 2014. In 2015, total borrowings related to the Term Loan and net borrowings on the 2015 Revolver were $111.5 million in the aggregate. These borrowing were primarily used to fund the 2015 acquisitions, capital expenditures and stock repurchases totaling $170.8 million in the aggregate. For 2014, long-term borrowings, net of debt repayments, were $46.1 million and included borrowings to fund the 2014 acquisitions, capital expenditures and stock repurchases totaling $92.6 million in the aggregate. In addition, the Company paid down $8.0 million in principal on the Term Loan in 2015 with no comparable amount in 2014.

Capital Resources

2015 Credit Facility

The Company entered into an Amended and Restated Credit Agreement, dated as of April 28, 2015 (the “2015 Credit Agreement”), with Wells Fargo Bank, National Association, as Administrative Agent and a lender, and Fifth Third Bank, Key Bank National Association, Bank of America, N.A., and Lake City Bank as participants, to expand its senior secured credit facility to $250.0 million and extend its maturity to 2020 (the “2015 Credit Facility”). The 2015 Credit Facility initially was comprised of a $175.0 million revolving credit loan (the “2015 Revolver”) and a $75.0 million term loan (the “Term Loan”). The 2015 Credit Agreement is secured by substantially all personal property assets of the Company and any domestic subsidiary guarantors.

On August 31, 2015, the Company entered into a first amendment to the 2015 Credit Agreement to expand the 2015 Credit Facility to $300.0 million from $250.0 million by expanding the 2015 Revolver to $225.0 million.

On July 26, 2016, the Company entered into a second amendment to the 2015 Credit Agreement to expand the 2015 Credit Facility to $360.0 million from $300.0 million by expanding the 2015 Revolver to $269.4 million and the Term Loan to $90.6 million, and to add 1st Source Bank as an additional participant.

At December 31, 2016, the Company had $82.7 million outstanding under the Term Loan and $190.4 million under the 2015 Revolver.

Pursuant to the 2015 Credit Agreement, the financial covenants include: (a) a maximum consolidated total leverage ratio, measured on a quarter-end basis, not to exceed 3.00:1.00 for the 12-month period ending on such quarter-end; and (b) a required minimum consolidated fixed charge coverage ratio, measured on a quarter-end basis, of at least 1.50:1.00 for the 12-month period ending on such quarter-end.

In 2016 and 2015, the Company was in compliance with both of these financial debt covenants as required under the terms of the 2015 Credit Agreement. The required maximum consolidated total leverage ratio and the minimum consolidated fixed charge coverage ratio compared to the actual amounts as of and for the fiscal period ended December 31, 2016 are as follows:

	Required	Actual
Consolidated total leverage ratio (12-month period)	3.00	1.99
Consolidated fixed charge coverage ratio (12-month period)	1.50	3.68

Additional information regarding: (i) certain definitions, terms and reporting requirements included in the 2015 Credit Agreement; (ii) the interest rates for borrowings at December 31, 2016 and 2015; and (iii) the composition of the calculation of both the consolidated total leverage ratio and the consolidated fixed charge coverage ratio is included in Note 8 to the Consolidated Financial Statements

Summary of Liquidity and Capital Resources

The Company's primary sources of liquidity are cash flow from operations, which includes selling its products and collecting receivables, available cash reserves and borrowing capacity available under its 2015 Credit Facility. Its principal uses of cash are to support working capital demands, meet debt service requirements and support its capital allocation strategy, which includes acquisitions, capital expenditures, and repurchases of the Company's common stock, among others.

Borrowings under the 2015 Revolver and the Term Loan under the 2015 Credit Facility are subject to a maximum total borrowing limit of $360.0 million (effective as of July 26, 2016) and are subject to variable rates of interest. The unused availability under the 2015 Credit Facility as of December 31, 2016 was $77.7 million. For the fiscal year ended December 31, 2016, the Company was in compliance with all of its debt covenants under the terms of the 2015 Credit Agreement.

We believe that our existing cash and cash equivalents, cash generated from operations, and available borrowings under our 2015 Credit Facility will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months, exclusive of any acquisitions, based on our current cash flow budgets and forecast of our short-term and long-term liquidity needs.

The Company's ability to access unused borrowing capacity under the 2015 Credit Facility as a source of liquidity is dependent on maintaining compliance with the financial covenants as specified under the terms of the 2015 Credit Agreement. In addition, future liquidity and capital resources may be impacted as the Company continues to make targeted capital investments to support new business and leverage its operating platform and to repurchase common stock in conjunction with the Company's stock repurchase program announced in January 2016.

The Company's working capital requirements vary from period to period depending on manufacturing volumes primarily related to the RV and MH industries, the timing of deliveries, and the payment cycles of its customers. In the event operating cash flow is inadequate and one or more of the Company's capital resources were to become unavailable, the Company would seek to revise its operating strategies accordingly. The Company will continue to assess liquidity position and potential sources of supplemental liquidity in view of its operating performance, current economic and capital market conditions, and other relevant circumstances.

Contractual Obligations

The following table summarizes our contractual cash obligations at December 31, 2016, and the future periods during which we expect to settle these obligations. We have provided additional details about some of these obligations in our Notes to the Consolidated Financial Statements.

	Payments due by period				
(thousands)	2017	2018-2019	2020-2021	Thereafter	Total
2015 Revolver (1)	$ —	$ —	$ 190,427	$ —	$ 190,427
Term Loan	15,766	31,532	35,428	—	82,726
Interest payments on debt (2)	6,914	12,617	1,938	—	21,469
Deferred compensation payments	383	608	348	1,287	2,626
Purchase obligations (3)	1,428	—	—	—	1,428
Facility leases	10,878	16,876	7,169	—	34,923
Equipment leases	3,330	4,929	2,060	700	11,019
Capital leases (4)	5	6	—	—	11
Total contractual cash obligations	$ 38,704	$ 66,568	$ 237,370	$ 1,987	$ 344,629

(1) The estimated long-term debt payment of $190.4 million in 2020 is based on the terms of the 2015 Credit Facility that is scheduled to mature on April 28, 2020.

(2) Scheduled interest payments on debt obligations are calculated based on interest rates in effect at December 31, 2016 as follows: (a) revolving line of credit: (i) LIBOR-based portion (2.5625%) and (ii) Base Rate-based portion (4.50%); and (b) Term Loan (2.5625%). The projected interest payments exclude non-cash interest that would normally be included in interest expense on the Company's consolidated statements of income.

(3) The purchase obligations are primarily comprised of purchase orders issued in the normal course of business.

(4) Capital lease obligations include both principal and interest payments.

We also have commercial commitments as described below (in thousands):

Other Commercial Commitments	Total Amount Committed	Outstanding at 12/31/16	Date of Expiration
Letters of Credit	$ 10,000 (1)	$ 145	December 29, 2017
		$ 100	December 29, 2017
		$ 1,050	January 2, 2018

(1) The $10.0 million commitment for the Letters of Credit is a sub-limit contained within the 2015 Revolver as of December 31, 2016.

Off-Balance Sheet Arrangements

Other than the commercial commitments set forth above, we have no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The SEC has defined a company's most critical accounting policies as those that are most important to the portrayal of its financial condition and results of operations, and which require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Although management believes that its estimates and assumptions are reasonable, they are based upon information available when they are made. Actual results may differ significantly from these estimates under different assumptions or conditions. Other significant accounting policies are described in Note 2 to the Consolidated Financial Statements. The Company has identified the following critical accounting policies and judgments:

Trade Receivables. Patrick is engaged in the manufacturing and distribution of building products and material for use primarily by the RV and MH industries and other industrial markets. Trade receivables consist primarily of amounts due to the Company from normal business activities. Credit risk related to trade receivables is controlled through credit approvals, credit limits and monitoring procedures, and the performance of ongoing credit evaluations of customers. In assessing the carrying value of its trade receivables, the Company estimates the recoverability by making assumptions based on factors such as current overall and industry-specific economic conditions, historical and anticipated customer performance, historical write-off and collection experience, the level of past-due amounts, and specific risks identified in the accounts receivable portfolio. Additional changes to the allowance could be necessary in the future if a customer's creditworthiness deteriorates, or if actual defaults are higher than the Company's historical experience. Any difference could result in an increase or decrease in the allowance for doubtful accounts.

Inventories. Inventories are stated at the lower of cost (First-In, First-Out (FIFO) Method) or net realizable value. Based on the inventory aging and other considerations for realizable value, the Company writes down the carrying value to net realizable value where appropriate. The Company reviews inventory on-hand and records provisions for obsolete inventory based on current assessments of future demands, market conditions, and related management initiatives. Any significant unanticipated changes in demand could have a significant impact on the value of the Company's inventory and operating results. If market conditions or customer requirements change and are less favorable than those projected by management, inventory allowances are adjusted accordingly.

Impairment of Long-Lived Assets. The Company records impairment losses on long-lived assets, other than goodwill and indefinite-lived intangible assets, used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those items. Events that may indicate that certain long-lived assets might be impaired include a significant downturn in the economy or the RV or MH industries, and/or a loss of a major customer or several customers. Cash flow estimates are based on historical results adjusted to reflect the Company's best estimate of future market and operating conditions and forecasts. The net carrying value of assets not recoverable is reduced to fair value. Estimates of fair value represent the Company's best estimate based on industry trends and reference to market rates and transactions. The recoverability of PP&E is evaluated whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, primarily based on estimated selling price, appraised value or projected future cash flows. No events or changes in circumstances occurred that required the Company to assess the recoverability of its property and equipment for the years ended December 31, 2016, 2015 and 2014, and therefore the Company has not recognized any impairment charges for those years.

All of the Company's long-lived asset impairment assessments are based on established fair value techniques using market or income-based methodologies. When calculating the present value of future cash flows, multiple variables such as forecasted sales volumes and discount rates, are taken into consideration. These analyses require management to estimate both future cash flows and an appropriate discount rate to reflect the risk inherent in the current business model. The assumptions supporting valuation models, including discount rates and earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples are determined using the best estimates as of the date of the impairment review. These estimates are subject to significant uncertainty, and differences in actual future results may require further impairment charges, which may be significant.

Impairment of Goodwill and Other Acquired Intangible Assets. The Company has made acquisitions in the past that included goodwill and other intangible assets. Goodwill represents the excess of cost over the fair value of the net assets acquired. Other intangible assets acquired are classified as customer relationships, non-compete agreements, and trademarks.

Goodwill and indefinite-lived intangible assets such as trademarks are not amortized but are subject to an annual (or under certain circumstances more frequent) impairment test in the fourth quarter based on their estimated fair value. We test more frequently, if there are indicators of impairment, or whenever such circumstances suggest that the carrying value of goodwill or trademarks may not be recoverable. These indicators include a sustained significant decline in Patrick's share price and market capitalization, a decline in expected future cash flows, or a significant adverse change in the business climate. A significant adverse change in the business climate could result in a significant loss of market share or the inability to achieve previously projected revenue growth. No material events occurred during 2016, 2015 or 2014 that indicated the existence of impairment with respect to reported goodwill, trademarks, or other intangible assets.

Goodwill and other intangible assets are allocated to the Company's reporting units at the date they are initially recorded. Impairment reviews of goodwill are performed at the reporting unit level, one level below the business segment. A reporting unit constitutes a business for which discrete profit and loss financial information is available. The Company's reportable segments, Manufacturing and Distribution, are those based on the Company's method of internal reporting, which segregates its businesses by product category and production/distribution process.

Once goodwill has been allocated to a reporting unit, it generally no longer retains its identification with a particular acquisition, but instead becomes identified with the reporting unit as a whole. In general, the Company's operating segments include goodwill originating from acquisitions that remain reporting units of the Company for which impairment is assessed.

Finite-lived intangible assets that meet certain criteria continue to be amortized over their useful lives and are also subject to an impairment test based on estimated undiscounted cash flows when impairment indicators exist. Newly acquired indefinite-lived assets are more vulnerable to impairments as the assets are recorded at fair value and are then subsequently measured at the lower of fair value or carrying value at the end of each reporting period. As such, immediately after acquisition, even a small decline in the outlook for these products can negatively impact the ability to recover the carrying value and can result in an impairment loss.

In evaluating goodwill for impairment, either a qualitative or quantitative assessment of the composition of the Company's goodwill for impairment is performed. If initially using the qualitative assessment and the analysis indicates it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company then performs a quantitative assessment. When estimating fair value with the quantitative assessment, the Company uses a market or income-based methodology including a multiple of EBITDA or present value of future cash flows. When calculating the present value of future cash flows, the Company takes into consideration multiple variables, including forecasted sales volumes, discount rates,

comparable marketplace fair value data from within a comparable industry grouping, current industry and economic conditions, and historical results. If the fair value exceeds the carrying value, goodwill and other intangible assets are not impaired and no further steps are required.

Based on the results of the Company's analyses, the estimated fair value was determined to substantially exceed the carrying value for each of the reporting units within the Manufacturing segment and within the Distribution segment for each of the years ended December 31, 2016, 2015 and 2014.

If applicable, a qualitative assessment includes: (i) an evaluation of macroeconomic conditions; (ii) RV and MH industry and market considerations including wholesale unit shipment levels; (iii) cost factors including price fluctuations on major commodities both purchased for use in various manufactured products and for distribution to customers; (iv) overall financial performance of the Company including the ability to re-finance Patrick's credit facility under more favorable terms; (v) completion of acquisitions; (vi) an increase in product line offerings and an expansion of the Company's customer base; (vii) changes in the Company's stock price valuation; and (viii) and other relevant specific events.

In addition, there are no long-lived assets or asset groups, including tangible assets, for which it was determined that undiscounted cash flows are not substantially in excess of the carrying value or that could materially impact Patrick's operating results or total shareholders' equity.

There were no material changes made to the Company's methods of evaluating goodwill and intangible asset impairments for the years ended December 31, 2016, 2015 and 2014. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to determine impairment in the foreseeable future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Debt Obligations

At December 31, 2016, our total debt obligations under our 2015 Credit Agreement were under either LIBOR-based or prime rate-based interest rates. A 100 basis point increase in the underlying LIBOR and prime rates would result in additional annual interest cost of approximately $2.7 million, assuming average borrowings, including the Term Loan, subject to variable rates of $273.2 million, which was the amount of such borrowings outstanding at December 31, 2016 subject to variable rates.

Inflation

The prices of key raw materials, consisting primarily of lauan, gypsum, particleboard, fiberglass and aluminum, are influenced by demand and other factors specific to these commodities, such as the price of oil, rather than being directly affected by inflationary pressures. Prices of certain commodities have historically been volatile and continued to fluctuate in 2016. During periods of rising commodity prices, we have generally been able to pass the increased costs to our customers in the form of surcharges and price increases. However, there can be no assurance future cost increases, if any, can be partially or fully passed on to customers, or that the timing of such sales price increases will match raw material cost increases. We do not believe that inflation had a material effect on results of operations for the periods presented.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is set forth in Item 15(a)(1) of Part IV on page 41 of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains "disclosure controls and procedures", as such term is defined under Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934, as amended (the "Exchange Act") reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief

Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, the Company's management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and the Company's management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including consolidated subsidiaries, required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the fair and reliable preparation and presentation of our published financial statements. We continually evaluate our system of internal control over financial reporting to determine if changes are appropriate based upon changes in our operations or the business environment in which we operate.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This assessment included a review of the documentation of controls, an assessment of the design effectiveness of controls, testing of the operating effectiveness of controls, and a conclusion on this evaluation. As permitted under SEC guidance, management's assessment of and conclusion regarding the design and effectiveness of internal control over financial reporting excluded the internal control over financial reporting of the operations of businesses acquired in 2016, which are described in Note 4 to the Consolidated Financial Statements. Based on our assessment, we have concluded that our internal control over financial reporting was effective as of December 31, 2016.

The Company's independent registered public accounting firm, Crowe Horwath LLP, audited our internal control over financial reporting as of December 31, 2016, as stated in their report in the section entitled "Report of Independent Registered Public Accounting Firm" included elsewhere in this Form 10-K, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting that occurred during the fourth quarter ended December 31, 2016 or subsequent to the date the Company completed its evaluation, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Company

The information required by this item with respect to directors is set forth in our Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2017, under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance," which information is hereby incorporated herein by reference.

Executive Officers of the Registrant

The information required by this item is set forth under the caption "Executive Officers of the Company" in Part I of this Annual Report.

Audit Committee

Information on our Audit Committee is contained under the caption "Audit Committee" in our Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2017 and is incorporated herein by reference.

The Company has determined that John A. Forbes, Michael A. Kitson, M. Scott Welch and Walter E. Wells all qualify as "audit committee financial experts" as defined in Item 407(d)(5)(ii) of Regulation S-K, and that these directors are "independent" as the term is used in 407(a)(1) of Regulation S-K.

Code of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct Policy applicable to all employees. Additionally, we have adopted a Code of Ethics Applicable to Senior Executives including, but not limited to, the Chief Executive Officer and Chief Financial Officer of the Company. Our Code of Ethics and Business Conduct, and our Code of Ethics Applicable to Senior Executives are available on the Company's web site at www.patrickind.com under "Investor Relations". We intend to post on our web site any substantive amendments to, or waivers from, our Corporate Governance Guidelines and our Code of Ethics Applicable to Senior Executives. We will provide shareholders with a copy of these policies without charge upon written request directed to the Company's Corporate Secretary at the Company's address.

Corporate Governance

Information on our corporate governance practices is contained under the caption "Corporate Governance" in our Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2017 and incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2017, under the captions "Executive Compensation – Compensation of Executive Officers and Directors," "Compensation Committee Interlocks and Director Participation," and "Compensation Committee Report," and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is set forth in our Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2017, under the captions "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management," and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is set forth in our Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2017, under the captions "Related Party Transactions" and "Independent Directors," and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is set forth in our Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2017, under the heading "Independent Public Accountants," and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) The financial statements listed in the accompanying Index to the Financial Statements on page F-1 of the separate financial section of this Report are incorporated herein by reference.

(3) The exhibits required to be filed as part of this Annual Report on Form 10-K are listed under (c) below.

(c) Exhibits

Exhibit Number	Exhibits
2.1	Asset Purchase Agreement, dated June 27, 2014, between Patrick Industries, Inc., Foremost Fabricators, LLC and its Members (filed as Exhibit 2.1 to the Company's Form 8-K filed on July 3, 2014 and incorporated herein by reference).
2.2	Asset Purchase Agreement, dated September 1, 2015, between Patrick Industries, Inc., North American Forest Products, Inc., North American Moulding LLC, and its Members (filed as Exhibit 2.1 to the Company's Form 8-K filed on September 4, 2015 and incorporated herein by reference).
3.1	Articles of Incorporation of Patrick Industries, Inc. (filed as Exhibit 3.1 to the Company's Form 10-K filed on March 30, 2010 and incorporated herein by reference).
3.2	Amended and Restated By-laws of Patrick Industries, Inc. (filed as Exhibit 3.2 to the Company's Form 10-K filed on March 14, 2016 and incorporated herein by reference).
4.1	Second Amended and Restated Registration Rights Agreement, dated as of December 11, 2008, by and among Patrick Industries, Inc., Tontine Capital Partners, L.P., Tontine Capital Overseas Master Fund, L.P. and the lenders party thereto (filed as Exhibit 10.3 to the Company's Form 8-K filed on December 15, 2008 and incorporated herein by reference).
4.2	Amendment No. 1 dated as of March 31, 2011, to the Second Amended and Restated Registration Rights Agreement, by and among Patrick Industries, Inc., Tontine Capital Partners, L.P., Tontine Capital Overseas Master Fund, L.P. and the lenders party thereto (filed as Exhibit 10.9 to the Company's Form 8-K filed on April 5, 2011 and incorporated herein by reference).
4.3	Amendment No. 2 dated as of September 16, 2011, to the Second Amended and Restated Registration Rights Agreement, between Patrick Industries, Inc. and Tontine Capital Overseas Master Fund II, L.P., Northcreek Mezzanine Fund I, L.P., and Stinger Northcreek PATK LLC (filed as Exhibit 10.7 to the Company's Form 8-K filed on September 22, 2011 and incorporated herein by reference).
10.1	Patrick Industries, Inc. 2009 Omnibus Incentive Plan (filed as Appendix A to the Company's revised Definitive Proxy Statement on Schedule 14A filed on October 20, 2009 and incorporated herein by reference).
10.2*	Form of Employment Agreements with Executive Officers (filed as Exhibit 10.2 to the Company's Form 10-K filed on March 30, 2010 and incorporated herein by reference).
10.3*	Form of Officers Retirement Agreement (filed as Exhibit 10.3 to the Company's Form 10-K filed on March 30, 2010 and incorporated herein by reference).
10.4*	Form of Non-Qualified Stock Option Award (filed as Exhibit 10.4 to the Company's Form 10-K filed on March 14, 2014 and incorporated herein by reference).
10.5*	Form of Officer and Employee Restricted Stock Award (filed as Exhibit 10.5 to the Company's Form 10-K filed on March 30, 2010 and incorporated herein by reference).
10.6*	Form of Officer and Employee Time Based Restricted Share Award and Performance Contingent Restricted Share Award (filed as Exhibit 10.7 to the Company's Form 10-K filed on March 29, 2012 and incorporated herein by reference).
10.7	Form of Non-Employee Director Restricted Share Award (filed as Exhibit 10.2 to the Company's Form 10-Q filed on November 8, 2011 and incorporated herein by reference).
10.8*	Form of Stock Appreciation Rights Award (filed as Exhibit 10.9 to the Company's Form 10-K filed on March 14, 2014 and incorporated herein by reference).

Exhibit Number	Exhibits
10.9*	Form of Performance Share Unit Award (filed as Exhibit 10.1 to the Company's Form 10-Q filed on May 8, 2014 and incorporated herein by reference).
10.10	Security Agreement, dated as of October 24, 2012, between Patrick Industries, Inc., the other Grantors party thereto and Wells Fargo Bank, National Association, as the Agent (filed as Exhibit 10.2 to the Company's Form 8-K filed on October 30, 2012 and incorporated herein by reference).
10.11	Amended and Restated Credit Agreement, dated as of April 28, 2015, among Patrick Industries, Inc., the Lenders party thereto and Wells Fargo Bank, National Association, as the Agent (filed as Exhibit 10.1 to the Company's Form 8-K filed on May 1, 2015 and incorporated herein by reference).
10.12	First Amendment, dated August 31, 2015, to the Amended and Restated Credit Agreement, dated as of April 28, 2015, among Patrick Industries, Inc., the Lenders party thereto and Wells Fargo Bank, National Association, as the Agent (filed as Exhibit 10.1 to the Company's Form 10-K filed on September 4, 2015 and incorporated herein by reference).
10.13	Second Amendment, dated July 26, 2016, to the Amended and Restated Credit Agreement, dated as of April 28, 2015, among Patrick Industries, Inc., the Lenders party thereto and Wells Fargo Bank, National Association, as the Agent (filed as Exhibit 10.1 to the Company's Form 8-K filed on August 1, 2016 and incorporated herein by reference).
12**	Statement of Computation of Operating Ratios.
21**	Subsidiaries of the Registrant.
23**	Consent of Crowe Horwath LLP.
31.1**	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
31.2**	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
32**	Certification pursuant to 18 U.S.C. Section 1350.

XBRL Exhibits.

Interactive Data Files. The following materials are filed electronically with this Annual Report on Form 10-K:

101.INS XBRL Instance Document
101.SCH XBRL Taxonomy Schema Document
101.CAL XBRL Taxonomy Calculation Linkbase Document
101.DEF XBRL Taxonomy Definition Linkbase Document
101.LAB XBRL Taxonomy Label Linkbase Document
101.PRE XBRL Taxonomy Presentation Linkbase Document

Attached as Exhibits 101 to this report are the following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2016 formatted in XBRL ("eXtensible Business Reporting Language"): (i) the Consolidated Statements of Financial Position; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Shareholders' Equity; and (v) the Consolidated Statements of Cash Flows, and the related Notes to these financial statements in detail tagging format.

*Management contract or compensatory plan or arrangement.

**Filed herewith.

All other financial statement schedules are omitted because they are not applicable or the required information is immaterial or is shown in the Notes to the Consolidated Financial Statements.

ITEM 16. FORM 10-K SUMMARY

None.

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.

PATRICK INDUSTRIES, INC.

Date: February 28, 2017

By: /s/ Todd M. Cleveland
Todd M. Cleveland
Chief Executive Officer

Pursuant to the Requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Todd M. Cleveland Todd M. Cleveland	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2017
/s/ Andy L. Nemeth Andy L. Nemeth	President and Director	February 28, 2017
/s/ Joshua A. Boone Joshua A. Boone	Vice President Finance, Chief Financial Officer and Secretary-Treasurer (Principal Financial and Accounting Officer)	February 28, 2017
/s/ Paul E. Hassler Paul E. Hassler	Chairman of the Board	February 28, 2017
/s/ Joseph M. Cerulli Joseph M. Cerulli	Director	February 28, 2017
/s/ John A. Forbes John A. Forbes	Director	February 28, 2017
/s/ Michael A. Kitson Michael A. Kitson	Director	February 28, 2017
/s/ M. Scott Welch M. Scott Welch	Director	February 28, 2017
/s/ Walter E. Wells Walter E. Wells	Director	February 28, 2017

PATRICK INDUSTRIES, INC.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Patrick Industries, Inc.:

We have audited the accompanying consolidated statements of financial position of Patrick Industries, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures, as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As permitted, the Company has excluded the operations of businesses acquired during 2016, which are described in Note 4 of the consolidated financial statements, from the scope of the accompanying "Management's Annual Report on Internal Control Over Financial Reporting." As such, they have also been excluded from the scope of our audit of internal control over financial reporting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patrick Industries, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control – Integrated Framework issued by COSO.

/s/ Crowe Horwath LLP

Oak Brook, Illinois
February 28, 2017

PATRICK INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands)	December 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 6,449**	$ 87
Trade receivables, net	**38,455**	38,213
Inventories	**120,019**	89,478
Prepaid expenses and other	**7,846**	6,119
Total current assets	**172,769**	133,897
Property, plant and equipment, net	**85,483**	67,878
Goodwill	**109,893**	68,606
Other intangible assets, net	**164,539**	106,759
Deferred financing costs, net	**1,728**	1,885
Deferred tax assets, net	**—**	2,004
Other non-current assets	**538**	555
TOTAL ASSETS	**$ 534,950**	$ 381,584
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	**$ 15,766**	$ 10,714
Accounts payable	**46,752**	28,744
Accrued liabilities	**23,575**	18,468
Total current liabilities	**86,093**	57,926
Long-term debt, less current maturities, net	**256,811**	193,142
Deferred compensation and other	**1,610**	1,919
Deferred tax liabilities	**4,988**	—
TOTAL LIABILITIES	**349,502**	252,987
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; authorized 1,000,000 shares; none issued	**—**	—
Common stock, no par value; authorized 20,000,000 shares; issued 2016 - 15,319,993 shares issued 2015 - 15,160,781 shares	**63,716**	57,683
Additional paid-in-capital	**8,243**	8,308
Accumulated other comprehensive income	**27**	32
Retained earnings	**113,462**	62,574
TOTAL SHAREHOLDERS' EQUITY	**185,448**	128,597
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 534,950**	$ 381,584

See accompanying Notes to Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(thousands except per share data)	Years Ended December 31,		
	2016	2015	2014
NET SALES	**$ 1,221,887**	$ 920,333	$ 735,717
Cost of goods sold	**1,019,418**	768,054	617,214
GROSS PROFIT	**202,469**	152,279	118,503
Operating Expenses:			
Warehouse and delivery	**36,081**	27,106	26,163
Selling, general and administrative	**62,183**	46,468	36,392
Amortization of intangible assets	**13,368**	8,787	4,477
Total operating expenses	**111,632**	82,361	67,032
OPERATING INCOME	**90,837**	69,918	51,471
Interest expense, net	**7,185**	4,319	2,393
Income before income taxes	**83,652**	65,599	49,078
Income taxes	**28,075**	23,380	18,404
NET INCOME	**$ 55,577**	$ 42,219	$ 30,674
BASIC NET INCOME PER COMMON SHARE	**$ 3.70**	$ 2.76	$ 1.92
DILUTED NET INCOME PER COMMON SHARE	**$ 3.64**	$ 2.72	$ 1.91
Weighted average shares outstanding - Basic	**15,013**	15,323	15,950
Weighted average shares outstanding - Diluted	**15,264**	15,503	16,039

See accompanying Notes to Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(thousands)	Years Ended December 31,		
	2016	2015	2014
NET INCOME	**$ 55,577**	$ 42,219	$ 30,674
Change in accumulated pension obligation, net of tax	**(5)**	1	(23)
COMPREHENSIVE INCOME	**$ 55,572**	$ 42,220	$ 30,651

See accompanying Notes to Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2016, 2015 and 2014

(thousands except share data)	Preferred Stock	Common Stock	Additional Paid-in-Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance December 31, 2013	$ —	$ 53,863	$ 6,604	$ 54	$ 21,789	$ 82,310
Net income	—	—	—	—	30,674	30,674
Change in accumulated pension obligation, net of tax	—	—	—	(23)	—	(23)
Stock repurchases under buyback program	—	(1,758)	(216)	—	(11,954)	(13,928)
Realization of excess tax benefit on stock-based compensation	—	—	1,071	—	—	1,071
Issuance of 22,500 shares upon exercise of common stock options	—	26	—	—	—	26
Shares used to pay taxes on stock grants		(644)	—	—	—	(644)
Stock-based compensation expense	—	3,282	—	—	—	3,282
Balance December 31, 2014	$ —	$ 54,769	$ 7,459	$ 31	$ 40,509	$ 102,768
Net income		—	—	—	42,219	42,219
Change in accumulated pension obligation, net of tax	—	—	—	1	—	1
Stock repurchases under buyback program	—	(2,185)	(298)	—	(20,154)	(22,637)
Realization of excess tax benefit on stock-based compensation	—	—	1,147	—	—	1,147
Issuance of 115,000 shares upon exercise of common stock options	—	1,861	—	—	—	1,861
Shares used to pay taxes on stock grants		(1,428)	—	—	—	(1,428)
Stock-based compensation expense	—	4,666	—	—	—	4,666
Balance December 31, 2015	$ —	$ 57,683	$ 8,308	$ 32	$ 62,574	$ 128,597
Net income	**—**	**—**	**—**	**—**	**55,577**	**55,577**
Change in accumulated pension obligation, net of tax	**—**	**—**	**—**	**(5)**	**—**	**(5)**
Stock repurchases under buyback program	**—**	**(460)**	**(65)**	**—**	**(4,689)**	**(5,214)**
Issuance of 117,100 shares upon exercise of common stock options	**—**	**1,865**	**—**	**—**	**—**	**1,865**
Shares used to pay taxes on stock grants	**—**	**(1,842)**	**—**	**—**	**—**	**(1,842)**
Stock-based compensation expense	**—**	**6,470**	**—**	**—**	**—**	**6,470**
Balance December 31, 2016	**$ —**	**$ 63,716**	**$ 8,243**	**$ 27**	**$ 113,462**	**$ 185,448**

See accompanying Notes to Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands)	Years Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 55,577**	$ 42,219	$ 30,674
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**24,362**	16,775	10,433
Stock-based compensation expense	**6,470**	4,666	3,282
Provision for bad debts	**415**	471	137
Deferred income taxes	**(560)**	(1,799)	1,652
Other non-cash items	**853**	664	394
Change in operating assets and liabilities, net of acquisitions of businesses:			
Trade receivables	**11,324**	9,017	(1,942)
Inventories	**(12,461)**	3,042	(1,660)
Prepaid expenses and other assets	**(1,629)**	465	(1,521)
Accounts payable, accrued liabilities and other	**12,796**	(8,664)	4,869
Net cash provided by operating activities	**97,147**	66,856	46,318
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	**(15,406)**	(7,958)	(6,542)
Proceeds from sale of property, equipment and facility	**279**	103	113
Business acquisitions	**(138,844)**	(140,176)	(72,094)
Other investing activities	**(27)**	644	(98)
Net cash used in investing activities	**(153,998)**	(147,387)	(78,621)
CASH FLOWS FROM FINANCING ACTIVITIES			
Term debt borrowings	**29,002**	75,000	—
Term debt repayments	**(13,240)**	(8,036)	—
Borrowings on revolver	**422,253**	322,601	298,201
Repayments on revolver	**(369,346)**	(286,135)	(252,147)
Stock repurchases under buyback program	**(5,214)**	(22,637)	(13,928)
Realization of excess tax benefit on stock-based compensation	**—**	1,147	1,071
Payments related to vesting of share-based awards, net of shares tendered for tax	**(1,666)**	(1,226)	(577)
Payment of deferred financing costs	**(417)**	(1,979)	(106)
Proceeds from exercise of stock options	**1,865**	1,861	26
Other financing activities	**(24)**	(101)	(148)
Net cash provided by financing activities	**63,213**	80,495	32,392
Increase (decrease) in cash and cash equivalents	**6,362**	(36)	89
Cash and cash equivalents at beginning of year	**87**	123	34
Cash and cash equivalents at end of year	**$ 6,449**	$ 87	$ 123

See accompanying Notes to Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Nature of Business

Patrick Industries, Inc. ("Patrick" or the "Company") operations consist of the manufacture and distribution of building products and materials for use primarily by the recreational vehicle ("RV"), manufactured housing ("MH"), and industrial markets for customers throughout the United States and Canada. At December 31, 2016, the Company maintained 56 manufacturing plants and 22 distribution facilities located in 16 states. Patrick operates in two business segments: Manufacturing and Distribution.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of Patrick and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Unallocated expenses, when combined with the operating segments and after the elimination of intersegment revenues, total to the amounts included in the consolidated financial statements.

Certain amounts in the prior years' consolidated financial statements and notes have been reclassified to conform to the current year presentation.

In preparation of Patrick's consolidated financial statements as of December 31, 2016, management evaluated all material subsequent events or transactions that occurred after the balance sheet date through the date of issuance of the Form 10-K that required recognition or disclosure in the consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates include the valuation of goodwill, the valuation of long-lived assets, the allowance for doubtful accounts, excess and obsolete inventories, and deferred tax asset valuation allowances. Actual results could differ from the amounts reported.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Revenue Recognition

The Company ships product based on specific orders from customers and revenue is recognized at the time of passage of title and risk of loss to the customer, which is generally upon delivery. The Company's selling price is fixed and determined at the time of shipment and collectability is reasonably assured and not contingent upon the customer's use or resale of the product.

The Company records freight billed to customers in net sales. The corresponding costs incurred for shipping and handling related to these customer billed freight costs are recorded in warehouse and delivery expenses and aggregated $1.4 million, $1.1 million and $0.9 million for 2016, 2015 and 2014, respectively.

Estimated costs related to customer volume rebates and sales incentives are accrued as a reduction of revenue at the time products are sold.

Costs and Expenses

Cost of goods sold includes material costs, direct and indirect labor, overhead expenses, inbound freight charges, inspection costs, internal transfer costs, receiving costs, and other costs.

Warehouse and delivery expenses include salaries and wages, building rent and insurance, and other overhead costs related to distribution operations and delivery costs related to the shipment of finished and distributed products to customers. Purchasing costs are included in selling, general and administrative ("SG&A") expenses.

Stock Based Compensation

Compensation expense related to the fair value of stock awards as of the grant date is calculated based on the Company's closing stock price on the date of grant. In addition, the Company estimates the fair value of all stock option and stock appreciation rights ("SARS") awards as of the grant date by applying the Black-Scholes option-pricing model. The use of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense and include the dividend yield and exercise price. Expected volatilities take into consideration the historical volatility of the Company's common stock. The expected term of options and SARS represents the period of time that the options and SARS granted are expected to be outstanding based on historical Company trends. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for instruments of a similar term.

Income Per Common Share

Basic net income per common share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted net income per common share is computed by dividing net income by the weighted-average number of common shares outstanding, plus the dilutive effect of stock options, stock appreciation rights, and restricted stock units (collectively, "Common Stock Equivalents"). The dilutive effect of Common Stock Equivalents is calculated under the treasury stock method using the average market price for the period. Certain Common Stock Equivalents were not included in the computation of diluted net income per common share because the exercise prices of those Common Stock Equivalents were greater than the average market price of the common shares. See Note 13 for the calculation of both basic and diluted net income per common share.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Trade Receivables

Trade receivables consist primarily of amounts due to the Company from its normal business activities. In assessing the carrying value of its trade receivables, the Company estimates the recoverability by making assumptions based on factors such as current overall and industry-specific economic conditions, historical and anticipated customer performance, historical write-off and collection experience, the level of past-due amounts, and specific risks identified in the trade receivables portfolio.

The following table summarizes the changes in the allowance for doubtful accounts:

(thousands)	**2016**	2015	2014
Balance at January 1	**$ 150**	$ 175	$ 225
Provisions made during the year	**415**	471	137
Write-offs	**(473)**	(497)	(193)
Recoveries during the year	**—**	1	6
Balance at December 31	**$ 92**	$ 150	$ 175

Inventories

Inventories are stated at the lower of cost (First-In, First-Out (FIFO) Method) and net realizable value. Based on the inventory aging and other considerations for realizable value, the Company writes down the carrying value to net realizable value where appropriate. The Company reviews inventory on-hand and records provisions for obsolete inventory based on current assessments of future demand, market conditions, and related management initiatives. Any significant unanticipated changes in demand could have a significant impact on the value of the Company's inventory and operating results. The cost of manufactured inventories includes raw materials, inbound freight, labor and overhead. The Company's distribution inventories include the cost of raw materials and inbound freight.

Property, Plant and Equipment

Property, plant and equipment ("PP&E") is generally recorded at cost. However, PP&E acquired in connection with an acquisition is recorded at fair value. Depreciation is computed primarily by the straight-line method applied to individual items based on estimated useful lives, which generally range from 10 to 30 years for buildings and improvements, and from three to seven years for machinery, equipment and transportation equipment. Leasehold improvements are amortized over the lesser of their useful lives or the related lease term. When properties are retired or disposed, the costs and accumulated depreciation are eliminated and the resulting profit or loss is recognized in the results of operations. Long-lived assets other than goodwill and intangible assets that are held for sale are recorded at the lower of the carrying value or the fair market value less the estimated cost to sell. The recoverability of PP&E is evaluated whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, primarily based on estimated selling price, appraised value or projected future cash flows.

Goodwill and Other Intangible Assets

Assets and liabilities acquired in business combinations are accounted for using the purchase method and are recorded at their respective fair values. Upon acquisition, goodwill and other intangible assets are assigned to reporting units which are one level below the Company's business segments. Goodwill and indefinite-lived intangible assets are not amortized but are subject to an annual (or under certain circumstances more frequent) impairment test based on their estimated fair value. The Company performs the required test for goodwill and indefinite-lived intangible assets impairment in the fourth quarter, or more frequently, if events or changes in circumstances indicate that the carrying value may exceed the fair value. Finite-lived intangible assets relate to customer relationships and non-compete agreements. Finite-lived intangible assets that meet certain criteria continue to be amortized over their useful lives and are also subject to an impairment test based on estimated undiscounted cash flows when impairment indicators exist. Intangible assets acquired in business combinations are initially recorded at their estimated fair values as determined by an income valuation approach using Level III fair value inputs. There was no impairment for goodwill and other intangible assets for the years ended December 31, 2016, 2015 and 2014.

Impairment of Long-Lived Assets

When events or conditions warrant, the Company evaluates the recoverability of long-lived assets other than goodwill and indefinite-lived intangible assets and considers whether these assets are impaired. The Company assesses the recoverability of these assets based upon several factors, including management's intention with respect to the assets and their projected future undiscounted cash flows. If projected undiscounted cash flows are less than the carrying amount of the assets, the Company adjusts the carrying amounts of such assets to their estimated fair value. A significant adverse change in the Company's business climate in future periods could result in a significant loss of market share or the inability to achieve previously projected revenue growth and could lead to a required assessment of the recoverability of the Company's long-lived assets, which may subsequently result in an impairment charge.

Deferred Financing Costs

Deferred financing costs are classified as non-current assets on the statement of financial position and are amortized over the life of the related debt or credit facility using the straight-line method.

The consolidated statements of financial position at December 31, 2016 and 2015 reflect the reclassification of assets related to deferred financing costs associated with the Term Loan (as defined herein) outstanding under the Company's 2015 Credit Facility (as defined herein) that were reclassified and presented net of long-term debt outstanding. The classification is the result of the Company's adoption of a new accounting standard that requires debt issuance costs be presented in the statement of financial position as a reduction in the carrying amount of debt, consistent with the presentation of debt issuance discounts. The deferred financing costs related to the 2015 Revolver (as defined herein) were not reclassified to long-term debt and are reflected as a component of non-current assets on the consolidated statements of financial position for the periods presented because the standard does not apply to line-of-credit arrangements. In the first quarter of 2016, the Company adopted this accounting standard as required on a retroactive basis.

At December 31, 2015, the total maximum borrowing limit under the Company's 2015 Credit Facility was $300.0 million, of which $75.0 million or 25% represented the total commitment under the Term Loan and was the basis for allocating a portion of the deferred financing costs to the Term Loan. Unamortized total deferred financing costs were $2.5 million at December 31, 2015, of which $0.6 million was allocated to the Term Loan.

Financial Instruments

The Company's financial instruments consist principally of cash and cash equivalents, trade receivables, debt and accounts payable. The Company believes cash and cash equivalents, trade receivables, and accounts payable are recorded at amounts that approximate their current market values because of the relatively short maturities of these financial instruments. The carrying value of the long-term debt instruments approximates the fair value based upon terms and conditions available to the Company in comparison to the terms and conditions of the outstanding debt.

Income Taxes

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are recognized in the current year to the extent future deferred tax liability timing differences are expected to reverse. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets may not be realized.

The Company reports a liability, if any, for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard which specifies how and when to recognize revenue as well as providing informative, relevant disclosures. In August 2015, the FASB deferred the effective date of this standard by one year, which would become effective for fiscal years beginning after December 15, 2017. Based on an evaluation and review of its current accounting policies and practices related to the recognition of revenue, the Company does not anticipate that the adoption of this new accounting standard will have a material impact on the consolidated statements of operations, financial position or cash flows. The Company expects to adopt this standard as of January 1, 2018, under the modified retrospective method where the cumulative effect is recognized at the date of initial application.

Debt Financing / Debt Issuance Costs

In April 2015, the FASB issued a new accounting standard that requires debt issuance costs be presented in the statement of financial position as a reduction in the carrying amount of debt, consistent with the presentation of debt issuance discounts. The Company adopted this new standard, on a retroactive basis, in the first quarter of 2016 as required. Total assets and total liabilities on the Company's consolidated statement of financial position as of December 31, 2015 were reduced by the reclassification of $0.6 million of deferred financing costs related to the Term Loan to the long-term debt, less current maturities, net line on the consolidated statement of financial position.

Income Taxes

In November 2015, the FASB issued a new accounting standard that simplifies the presentation of deferred income taxes. Under the new standard, deferred tax assets and liabilities are required to be classified, on a net basis, as noncurrent on the consolidated statement of financial position. The standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 and early adoption is permitted.

During the first quarter of 2016, the Company elected to adopt this standard, thus reclassifying current deferred tax assets to noncurrent, net of deferred tax liabilities, on the consolidated statements of financial position. The prior year reporting period was retroactively adjusted. Current assets on the Company's consolidated statement of financial position as of December 31, 2015 were reduced by the reclassification of $5.8 million of current deferred tax assets to long-term deferred tax assets. Total assets and total liabilities on the Company's consolidated statement of financial position as of December 31, 2015 were reduced by the reclassification of $3.8 million of long-term deferred tax liabilities to long-term deferred tax assets. The adoption of this standard had no impact on the Company's consolidated statements of income. See Note 10 for additional details.

Leases

In February 2016, the FASB issued a new accounting standard that will require that an entity recognize lease assets and lease liabilities on its balance sheet for leases in excess of one year that were previously classified as operating leases under U.S. GAAP. The standard also requires companies to disclose in the footnotes to the financial statements information about the amount, timing, and uncertainty for the payments made for the lease agreements. The standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2018 on a retroactive basis. Early adoption is permitted. The Company is currently evaluating the effect of adopting this new accounting standard and has not yet determined the impact that the implementation of it will have on its consolidated financial statements.

Stock Compensation

In March 2016, the FASB issued a new accounting standard for share-based payments relating to: (i) the income tax consequences related to exercised or vested share-based payment awards; (ii) the classification of awards as assets or liabilities; and (iii) the classification in the consolidated statements of cash flows. In addition, the standard provides an accounting policy election to account for forfeitures as they occur. This standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 and early adoption is permitted.

The Company elected to early adopt the requirements of this accounting standard in the fourth quarter of 2016 and retroactively reflected the impact of the adoption in its financial statements effective January 1, 2016 as required under the standard. Specifically, the excess tax benefits related to the settlement of share-based compensation that were realized in 2016, and previously recorded in additional paid-in capital, were reclassified as a reduction to income tax expense on the consolidated statement of income for the year ended December 31, 2016. See Note 18 for the impact of the reclassification to the Company's previously reported net income and net income per basic and diluted share calculations for the first three quarters of 2016. In addition, as required under the new standard, cash paid by directly withholding shares for tax withholding purposes of $1.2 million and $0.6 million was reclassified from operating activities to financing activities in the consolidated statements of cash flows for the years ended December 31, 2015 and 2014, respectively. Furthermore, the Company elected to change its accounting policy to account for forfeitures for share-based awards when they occur.

Cash Flow Statement Classifications

In August 2016, the FASB issued a new accounting standard related to the classification of certain cash receipts and cash payments in the statement of cash flows. This standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2017. The standard may be applied on a retrospective basis and early adoption is permitted. The Company anticipates adopting the new standard as of January 1, 2018 as required and has determined that the implementation of it will have no impact on its consolidated statements of cash flows for the periods presented.

Goodwill Impairment

In January 2017, the FASB issued a new accounting standard that simplifies the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. The standard requires that the impairment loss be measured as the excess of the reporting unit's carrying amount over its fair value. It eliminates the second step that requires the impairment to be measured between the implied value of a reporting unit's goodwill with its carrying value. The standard is effective for annual and any interim impairment tests for periods beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the effect of adopting this new accounting standard and has not yet determined the impact that the implementation of it will have on its consolidated financial statements.

Definition of a Business

In January 2017, the FASB issued a new accounting standard that clarifies the definition of a business. This standard will assist companies in interpreting the definition of a business which may affect certain areas of accounting including acquisitions, disposals, goodwill and consolidation. The standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2017. The standard may be applied on a retrospective basis and early adoption is permitted. The Company is currently evaluating the effect of adopting this new accounting standard and has not yet determined the impact that the implementation of it will have on its consolidated financial statements.

4. ACQUISITIONS

General

The Company completed a total of 14 acquisitions involving 19 companies in the three years ended December 31, 2016, 2015 and 2014 as discussed below. Each of the acquisitions was funded through borrowings under the Company's credit facility in existence at the time of acquisition. Assets acquired and liabilities assumed in the individual acquisitions were recorded on the Company's consolidated statements of financial position at their estimated fair values as of the respective dates of acquisition. In general, the acquisitions described below provided the opportunity for the Company to either establish a new presence in a particular market and/or expand its product offerings in an existing market and increase its market share and per unit content.

For each acquisition, the excess of the purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which represents the value of leveraging the Company's existing purchasing, manufacturing, sales, and systems resources with the organizational talent and expertise of the acquired companies' respective management teams to maximize efficiencies, revenue impact, market share growth, and net income. The goodwill recognized is expected to be deductible for income tax purposes for each of the 2014, 2015 and 2016 acquisitions with the exception of the BH Electronics, Inc. acquisition. Intangible asset values were estimated using income based valuation methodologies. The disclosure of the amortization periods assigned to finite-lived intangible assets is more fully disclosed in Note 7.

For the years ended December 31, 2016, 2015 and 2014, revenue of approximately $92.3 million, $101.1 million and $55.9 million, respectively, was included in the Company's consolidated statements of income pertaining to the businesses acquired in each such year.

For the years ended December 31, 2016, 2015 and 2014, operating income of approximately $10.3 million, $11.8 million and $3.1 million, respectively, was included in the Company's consolidated statements of income pertaining to the businesses acquired in each such year. Acquisition-related costs in the aggregate associated with the businesses acquired in 2016, 2015 and 2014 were immaterial.

2016 Acquisitions

Parkland Plastics, Inc. ("Parkland")

In February 2016, the Company acquired 100% of the outstanding capital stock of Middlebury, Indiana-based Parkland, a fully integrated designer and manufacturer of innovative polymer-based products including wall panels, lay-in ceiling panels, coated and rolled floors, protective moulding, and adhesives and accessories, used in a wide range of applications primarily in the RV, architectural and industrial markets, for a net purchase price of $25.2 million.

The results of operations for Parkland are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The purchase price allocation and all required purchase accounting adjustments were finalized in the fourth quarter of 2016, with no material changes from previously reported estimated amounts.

The Progressive Group ("Progressive")

In March 2016, the Company acquired the business and certain assets of Progressive, a distributor and manufacturer's representative for major name brand electronics to small, mid-size and large retailers, distributors, and custom installers, primarily serving the auto and home electronics, retail, custom integration and commercial channels, for a net purchase price of $10.9 million. Progressive has six distribution facilities located in Arizona, Colorado, Indiana, Michigan and Utah.

The results of operations for Progressive are included in the Company's consolidated financial statements and the Distribution operating segment from the date of acquisition. The purchase price allocation and all required purchase accounting adjustments were finalized in the fourth quarter of 2016, with no material changes from previously reported estimated amounts.

Cana Holdings, Inc. ("Cana")

In May 2016, the Company acquired the business and certain assets of Cana, a custom cabinetry manufacturer, primarily serving the MH industry and the residential, hospitality and institutional markets, for a net purchase price of $16.5 million. Cana has operating facilities located in Elkhart, Indiana and Americus, Georgia.

The results of operations for Cana are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The purchase price allocation and all required purchase accounting adjustments were finalized in the fourth quarter of 2016, with no material changes from previously reported estimated amounts.

Mishawaka Sheet Metal, LLC ("MSM")

In June 2016, the Company acquired the business and certain assets of Elkhart, Indiana-based MSM, a fabricator of a wide variety of aluminum and steel products primarily serving the RV and industrial markets, for a net purchase price of $14.0 million.

The results of operations for MSM are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The purchase price allocation and all required purchase accounting adjustments were finalized in the fourth quarter of 2016, with no material changes from previously reported estimated amounts.

Vacuplast, LLC d/b/a L.S. Manufacturing, Inc. ("LS Mfg.")

In July 2016, the Company acquired the business and certain assets of Elkhart, Indiana-based LS Mfg., a manufacturer of a wide variety of thermoformed plastic parts and components, primarily serving the RV industry as well as certain industrial markets, for a net purchase price of $11.2 million.

The results of operations for LS Mfg. are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The preliminary purchase price allocation is subject to final review and approval, and thus all required purchase accounting adjustments are expected to be finalized in the first half of 2017.

BH Electronics, Inc. ("BHE")

In July 2016, the Company acquired 100% of the outstanding capital stock of BHE, a major designer, engineer and manufacturer of custom thermoformed dash panel assemblies, center consoles and trim panels, complete electrical systems, and related components and parts, primarily for recreational boat manufacturers in the U.S., for a net purchase price of $35.0 million. BHE has operating facilities located in Tennessee and Georgia.

The results of operations for BHE are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The preliminary purchase price allocation is subject to final review and approval, and thus all required purchase accounting adjustments are expected to be finalized in the first half of 2017.

Sigma Wire International, LLC / KRA International, LLC (together "Sigma/KRA")

In December 2016, the Company acquired the business and certain assets of Sigma Wire International, LLC ("Sigma"), headquartered in Elkhart, Indiana, and KRA International, LLC ("KRA"), headquartered in Mishawaka, Indiana. Sigma is a manufacturer of a wide range of PVC insulated wire and cable products primarily for the RV and marine markets. KRA, which operates primarily in the RV and industrial markets, is a manufacturer of wire harnesses and associated assemblies for RVs, commercial vehicles, lawn care equipment, marine products, the defense industry, and automotive aftermarket products. The Company acquired Sigma/KRA for a net purchase price of approximately $26.1 million.

The results of operations for Sigma/KRA are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The preliminary purchase price allocation is subject to final review and approval, and thus all required purchase accounting adjustments are expected to be finalized in the third quarter of 2017.

2015 Acquisitions

Better Way Partners, LLC d/b/a Better Way Products ("Better Way")

In February 2015, the Company acquired the business and certain assets of Better Way, a manufacturer of fiberglass front and rear caps, marine helms and related fiberglass components primarily used in the RV, marine and transit vehicle markets, for a net purchase price of $40.5 million. Better Way has operating facilities located in New Paris, Bremen and Syracuse, Indiana.

The results of operations for Better Way are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition.

Structural Composites of Indiana, Inc. ("SCI")

In May 2015, the Company acquired the business and certain assets of Ligonier, Indiana-based SCI, a manufacturer of large, custom molded fiberglass front and rear caps and roofs, primarily used in the RV market, and specialty fiberglass components for the transportation, marine and other industrial markets, for a net purchase price of $20.0 million.

The results of operations for SCI are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition.

North American Forest Products, Inc. and North American Moulding, LLC (collectively, "North American")

In September 2015, the Company acquired the business and certain assets of Edwardsburg, Michigan-based North American, a manufacturer and distributor, primarily for the RV market, of profile wraps, custom mouldings, laminated panels and moulding products. This acquisition also provided the opportunity for the Company to expand into the softwoods lumber market through North American's operations as a manufacturer and supplier of raw and processed softwoods products, including lumber, panels, trusses, bow trusses, and industrial packaging materials, primarily used in the RV and MH industries. The Company acquired North American for a net purchase price of $79.7 million.

The results of operations for North American are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition.

2014 Acquisitions

Precision Painting Group

In June 2014, the Company acquired the business and certain assets of four related companies based in Bremen and Elkhart, Indiana: Precision Painting, Inc., Carrera Custom Painting, Inc., Millennium Paint, Inc., and TDM Transport, Inc. (collectively referred to as "Precision Painting Group" or "Precision"), for a net purchase price of $16.0 million. The Precision Painting Group is comprised of three full service exterior full body painting operations that offer exterior painting and interior refurbishing for both RV original equipment manufacturers and existing RV and fleet owners, and a transportation operation that services their in-house customers.

The results of operations for Precision are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition.

Foremost Fabricators, LLC ("Foremost")

In June 2014, the Company acquired the business and certain assets of Goshen, Indiana-based Foremost, a fabricator and distributor of fabricated aluminum products, fiber reinforced polyester ("FRP") sheet and coil, and custom laminated products, primarily used in the RV market, for a net purchase price of $45.4 million.

The results of operations for Foremost are included in the Company's consolidated financial statements and the Manufacturing and Distribution operating segments from the date of acquisition.

PolyDyn3, LLC ("PolyDyn3")

In September 2014, the Company acquired the business and certain assets of Elkhart, Indiana-based PolyDyn3, a custom fabricator of simulated wood and stone products such as headboards, fireplaces, ceiling medallions, columns and trims for the RV market, for a net purchase price of $1.3 million. This acquisition also provided the opportunity for the Company to bring in-house new production capabilities and product lines that were previously represented through one of the Company's Distribution segment business units.

The results of operations for PolyDyn3 are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition.

Charleston Corporation ("Charleston")

In November 2014, the Company acquired the business and certain assets of Bremen, Indiana-based Charleston, a manufacturer of fiberglass and plastic components primarily used in the RV, marine and vehicle aftermarket industries, for a net purchase price of $9.5 million.

The results of operations for Charleston are included in the Company's consolidated financial statements and the Manufacturing operating segment from the date of acquisition.

The following table summarizes the fair values of the assets acquired and the liabilities assumed as of the date of the acquisition. The purchase price allocation in each acquisition is final except as noted in the discussion above:

(thousands)	Trade receivables	Inventories	Property, plant and equipment	Prepaid expenses	Other intangible assets	Goodwill	Less: Accounts payable and accrued liabilities	Less: Deferred tax liability	Total net assets acquired
2016									
Parkland	**$ 2,880**	**$ 5,280**	**$ 2,987**	**$ 86**	**$ 10,950**	**$ 5,175**	**$ 2,180**	**$ —**	**$ 25,178**
Progressive	**996**	**3,074**	**100**	**61**	**6,010**	**2,980**	**2,344**	**—**	**10,877**
Cana	**646**	**1,151**	**5,840**	**29**	**7,065**	**2,927**	**1,135**	**—**	**16,523**
MSM	**2,017**	**1,592**	**2,521**	**12**	**7,855**	**984**	**965**	**—**	**14,016**
LS Mfg.	**620**	**1,382**	**265**	**—**	**5,751**	**3,336**	**154**	**—**	**11,200**
BHE	**2,922**	**3,801**	**704**	**—**	**18,868**	**17,764**	**1,507**	**7,552**	**35,000**
Sigma/KRA	**1,950**	**1,800**	**1,050**	**—**	**14,768**	**7,952**	**1,470**	**—**	**26,050**
Totals	**$ 12,031**	**$ 18,080**	**$ 13,467**	**$ 188**	**$ 71,267**	**$ 41,118**	**$ 9,755**	**$ 7,552**	**$ 138,844**
2015									
Better Way	$ 4,901	$ 1,829	$ 3,907	$ 80	$ 20,030	$ 11,087	$ 1,349	$ —	$ 40,485
SCI	1,407	482	750	5	9,535	8,596	734	—	20,041
North American	8,924	19,189	5,959	139	36,185	17,463	8,209	—	79,650
Totals	$ 15,232	$ 21,500	$ 10,616	$ 224	$ 65,750	$ 37,146	$ 10,292	$ —	$ 140,176
2014									
Precision	$ 1,425	$ 208	$ 7,032	$ 10	$ 4,492	$ 3,843	$ 997	$ —	$ 16,013
Foremost	4,868	11,415	3,934	129	20,905	8,407	4,302	—	45,356
PolyDyn3	86	194	683	125	230	57	124	—	1,251
Charleston	1,931	1,033	3,056	7	2,783	2,706	2,042	—	9,474
Totals	$ 8,310	$ 12,850	$ 14,705	$ 271	$ 28,410	$ 15,013	$ 7,465	$ —	$ 72,094

Pro Forma Information (Unaudited)

The following pro forma information assumes the Parkland, Progressive, Cana, MSM, LS Mfg., BHE, and Sigma/KRA acquisitions (which were acquired in 2016) and the Better Way, SCI and North American acquisitions (which were acquired in 2015) occurred as of the beginning of the year immediately preceding each such acquisition.. The pro forma information contains the actual operating results of Parkland, Progressive, Cana, MSM, LS Mfg., BHE, Sigma/KRA, Better Way, SCI and North American, combined with the results prior to their respective acquisition dates adjusted to reflect the pro forma impact of the acquisitions occurring as of the beginning of the year immediately preceding each such acquisition.

The pro forma information includes financing and interest expense charges based on the actual incremental borrowings incurred in connection with each transaction as if it occurred as of the beginning of the year immediately preceding each such acquisition.

In addition, the pro forma information includes amortization expense, in the aggregate, related to intangible assets acquired in connection with each transaction of $3.2 million and $8.3 million for the years ended December 31, 2016 and 2015, respectively.

(thousands except per share data)		**2016**		2015
Revenue	**$**	**1,301,399**	$	1,211,980
Net income		**63,048**		55,790
Basic net income per common share		**4.20**		3.64
Diluted net income per common share		**4.13**		3.60

The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time, nor is it intended to be a projection of future results.

5. INVENTORIES

Inventories as of December 31, 2016 and 2015 consist of the following classes:

(thousands)		**2016**		2015
Raw materials	**$**	**70,148**	$	52,601
Work in process		**7,659**		5,529
Finished goods		**13,300**		10,450
Less: reserve for inventory obsolescence		**(2,724)**		(1,897)
Total manufactured goods, net		**88,383**		66,683
Materials purchased for resale (distribution products)		**32,869**		24,406
Less: reserve for inventory obsolescence		**(1,233)**		(1,611)
Total materials purchased for resale (distribution products), net		**31,636**		22,795
Total inventories	**$**	**120,019**	$	89,478

The following table summarizes the reserve for inventory obsolescence:

(thousands)		**2016**		2015		2014
Balance at January 1	**$**	**3,508**	$	1,816	$	1,276
Charged to operations		**2,542**		3,402		2,071
Deductions from reserves		**(2,093)**		(1,710)		(1,531)
Balance at December 31	**$**	**3,957**	$	3,508	$	1,816

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net, consists of the following classes at December 31, 2016 and 2015:

(thousands)		**2016**		2015
Land and improvements	**$**	**3,260**	$	3,015
Building and improvements		**41,064**		37,931
Machinery and equipment		**107,159**		87,124
Transportation equipment		**2,820**		2,438
Leasehold improvements		**6,862**		4,941
Property, plant and equipment, at cost		**161,165**		135,449
Less: accumulated depreciation and amortization		**(75,682)**		(67,571)
Property, plant and equipment, net	**$**	**85,483**	$	67,878

For the years ended December 31, 2016 and 2015, no events or changes in circumstances occurred that required the Company to assess the recoverability of its property, plant and equipment, and therefore the Company did not recognize any impairment charges.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Changes in the carrying amount of goodwill for the years ended December 31, 2016 and 2015 by segment are as follows:

(thousands)		Manufacturing		Distribution		Total
Balance - December 31, 2014	$	25,309	$	6,321	$	31,630
Acquisitions		36,976		—		36,976
Balance - December 31, 2015		62,285		6,321		68,606
Acquisitions		**38,138**		**2,980**		**41,118**
Adjustment to prior year purchase price allocations		**169**		**—**		**169**
Balance - December 31, 2016	**$**	**100,592**	**$**	**9,301**	**$**	**109,893**

Other Intangible Assets

Other intangible assets are comprised of customer relationships, non-compete agreements and trademarks. Customer relationships and non-compete agreements represent finite-lived intangible assets that have been recorded in the Manufacturing and Distribution segments along with related amortization expense. As of December 31, 2016, the remaining other intangible assets balance of $164.5 million is comprised of $42.7 million of trademarks which have an indefinite life, and therefore, no amortization expense has been recorded, and $121.8 million pertaining to customer relationships and non-compete agreements which are being amortized over periods ranging from two to 19 years.

For the finite-lived intangible assets attributable to the 2016 acquisitions, the useful life pertaining to non-compete agreements was five years for Parkland, Progressive, Cana, MSM, LS Mfg., and BHE, and three years for Sigma/KRA. The useful life pertaining to customer relationships for all of the 2016 acquisitions was 10 years.

Amortization expense for the Company's intangible assets in the aggregate was $13.4 million, $8.8 million and $4.5 million for 2016, 2015 and 2014, respectively.

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

(thousands)		2016	Weighted Average Useful Life (years)		2015	Weighted Average Useful Life (years)
Customer relationships	$	**140,657**	**10.2**	$	91,164	10.4
Non-compete agreements		**13,413**	**3.6**		9,012	3.4
Trademarks		**42,741**	**Indefinite**		25,487	Indefinite
		196,811			125,663	
Less: accumulated amortization		**(32,272)**			(18,904)	
Other intangible assets, net	$	**164,539**		$	106,759	

Changes in the carrying value of other intangible assets for the years ended December 31, 2016 and 2015 by segment are as follows:

(thousands)		Manufacturing		Distribution		Total
Balance - December 31, 2014	$	36,491	$	13,053	$	49,544
Acquisitions		65,920		—		65,920
Amortization		(7,134)		(1,653)		(8,787)
Adjustment to prior year purchase price allocations		82		—		82
Balance - December 31, 2015		95,359		11,400		106,759
Acquisitions		**65,257**		**6,010**		**71,267**
Amortization		**(10,644)**		**(2,724)**		**(13,368)**
Adjustment to prior year purchase price allocations		**(119)**		**—**		**(119)**
Balance - December 31, 2016	**$**	**149,853**	**$**	**14,686**	**$**	**164,539**

Amortization expense for the next five fiscal years ending December 31 related to finite-lived intangible assets as of December 31, 2016 is estimated to be (in thousands): 2017 - $15,874; 2018 - $15,485; 2019 - $15,258; 2020 - $14,528; and 2021 - $13,924.

8. DEBT

A summary of total debt outstanding at December 31, 2016 and 2015 is as follows:

(thousands)		2016		2015
Long-term debt:				
2015 Revolver	**$**	**190,427**	$	137,520
Term Loan		**82,726**		66,964
Total long-term debt		**273,153**		204,484
Less: current maturities of long-term debt		**(15,766)**		(10,714)
Less: net deferred financing costs related to Term Loan		**(576)**		(628)
Total long-term debt, less current maturities, net	**$**	**256,811**	$	193,142

2015 Credit Facility

The Company entered into an Amended and Restated Credit Agreement, dated as of April 28, 2015 (the “2015 Credit Agreement”), with Wells Fargo Bank, National Association, as Administrative Agent and a lender (“Wells Fargo”), and Fifth Third Bank, Key Bank National Association, Bank of America, N.A., and Lake City Bank as participants, to expand its senior secured credit facility to $250.0 million and extend its maturity to 2020 (the “2015 Credit Facility”). The 2015 Credit Facility

initially was comprised of a $175.0 million revolving credit loan (the "2015 Revolver") and a $75.0 million term loan (the "Term Loan").

On August 31, 2015, the Company entered into a first amendment to the 2015 Credit Agreement to expand the 2015 Credit Facility to $300.0 million from $250.0 million by expanding the 2015 Revolver to $225.0 million.

On July 26, 2016, the Company entered into a second amendment to the 2015 Credit Agreement to expand the 2015 Credit Facility to $360.0 million from $300.0 million by expanding the 2015 Revolver to $269.4 million and the Term Loan to $90.6 million, and to add 1st Source Bank as an additional participant.

The 2015 Credit Agreement is secured by substantially all personal property assets of the Company and any domestic subsidiary guarantors. The 2015 Credit Agreement includes certain definitions, terms and reporting requirements and includes the following additional provisions:

- The maturity date for the 2015 Credit Facility is April 28, 2020;
- The initial Term Loan had repayment installments of approximately $2.7 million per quarter with the remaining balance due at maturity. Following the expansion of the Term Loan in July 2016 pursuant to the second amendment, the quarterly repayment installments were increased to approximately $3.9 million beginning on September 30, 2016 with the remaining balance due at maturity;
- The interest rates for borrowings under the 2015 Revolver and the Term Loan are the Base Rate plus the Applicable Margin or LIBOR plus the Applicable Margin, with a fee payable by the Company on unused but committed portions of the 2015 Revolver;
- The 2015 Revolver includes a sub-limit up to $10.0 million for same day advances ("Swing Line") which shall bear interest based upon the Base Rate plus the Applicable Margin;
- Up to $10.0 million of the 2015 Revolver is available as a sub facility for the issuance of standby letters of credit, which are subject to certain expiration dates;
- The financial covenants include requirements as to a consolidated total leverage ratio and a consolidated fixed charge coverage ratio, and other covenants include limitations and restrictions concerning permitted acquisitions, investments, sales of assets, liens on assets, dividends and other payments; and
- Customary prepayment provisions, representations, warranties and covenants, and events of default.

At December 31, 2016, the Company had $82.7 million outstanding under the Term Loan under the LIBOR-based option, and borrowings outstanding under the 2015 Revolver of (i) $187.0 million under the LIBOR-based option and (ii) $3.4 million under the Prime Rate-based option. The interest rate for borrowings at December 31, 2016 was the Prime Rate plus 0.75% (or 4.50%), or LIBOR plus 1.75% (or 2.5625%). At December 31, 2015, the Company had $67.0 million outstanding under the Term Loan under the LIBOR-based option, and borrowings outstanding under the 2015 Revolver of (i) $133.0 million under the LIBOR-based option and (ii) $4.5 million under the Prime Rate-based option. The interest rate for borrowings at December 31, 2015 was the Prime Rate plus 1.00% (or 4.50%), or LIBOR plus 2.00% (or 2.4375%). The fee payable on committed but unused portions of the 2015 Revolver was 0.225% at December 31, 2016 and 0.250% at December 31, 2015.

Pursuant to the 2015 Credit Agreement, the financial covenants include: (a) a maximum consolidated total leverage ratio, measured on a quarter-end basis, not to exceed 3.00:1.00 for the 12-month period ending on such quarter-end; and (b) a required minimum consolidated fixed charge coverage ratio, measured on a quarter-end basis, of at least 1.50:1.00 for the 12-month period ending on such quarter-end.

The consolidated total leverage ratio is the ratio for any period of consolidated total indebtedness (as measured as of the second day following the end of the immediately preceding fiscal quarter) to consolidated adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is further adjusted to primarily include the add-back of stock compensation expense and acquisition transaction related expenses. Consolidated total indebtedness for any period is the sum of: (i) total debt outstanding under the 2015 Revolver and the Term Loan; (ii) capital leases and letters of credit outstanding; and (iii) deferred payment obligations. The consolidated fixed charge coverage ratio for any period is the ratio of consolidated EBITDA less restricted payments, taxes paid and capital expenditures as defined under the 2015 Credit Agreement to consolidated fixed charges. Consolidated fixed charges for any period is the sum of interest expense and scheduled principal payments on outstanding indebtedness under the Term Loan.

As and for the December 31, 2016 and 2015 reporting dates, the Company was in compliance with both of these financial debt covenants as required under the terms of the 2015 Credit Agreement. The required maximum consolidated total leverage ratio

and the minimum consolidated fixed charge coverage ratio compared to the actual amounts as of and for the fiscal period ended December 31, 2016 are as follows:

	Required	Actual
Consolidated total leverage ratio (12-month period)	3.00	1.99
Consolidated fixed charge coverage ratio (12-month period)	1.50	3.68

The 2015 Revolver is due at maturity in April 2020 in accordance with the terms of the 2015 Credit Agreement.

Aggregate maturities of the Term Loan for the next five years ending December 31 are: 2017 -$15.8 million; 2018 -$15.8 million; 2019 -$15.8 million; and 2020 -$35.3 million.

The Company was contingently liable for three standby letters of credit totaling $1.3 million at December 31, 2016 that exist to meet credit requirements for the Company's insurance providers.

Interest paid for the years ended December 31, 2016, 2015 and 2014 was $7.1 million, $4.4 million and $2.4 million, respectively.

9. ACCRUED LIABILITIES

Accrued liabilities as of December 31, 2016 and 2015 include the following:

(thousands)	**2016**	2015
Employee compensation and benefits	**$ 12,845**	$ 11,662
Property taxes	**1,881**	1,527
Customer incentives	**4,665**	3,562
Other	**4,184**	1,717
Total accrued liabilities	**$ 23,575**	$ 18,468

10. INCOME TAXES

The provision for income taxes for the years ended December 31, 2016, 2015 and 2014 consists of the following:

(thousands)	**2016**	2015	2014
Current:			
Federal	**$ 24,205**	$ 21,554	$ 13,632
State	**4,430**	3,625	3,120
Total current	**28,635**	25,179	16,752
Deferred:			
Federal	**(474)**	(1,563)	1,496
State	**(86)**	(236)	156
Total deferred	**(560)**	(1,799)	1,652
Income taxes	**$ 28,075**	$ 23,380	$ 18,404

A reconciliation of the differences between the actual provision for income taxes and the tax provisions for income taxes at the federal statutory income tax rate of 35% for each of the years ended December 31, 2016, 2015 and 2014 is as follows:

(thousands)		2016			2015			2014	
Rate applied to pretax benefit	$	**29,278**	**35.0%**	$	22,960	35.0%	$	17,177	35.0%
State taxes, net of federal tax effect		**2,818**	**3.4**		2,654	4.0		2,167	4.4
Domestic production activities deduction		**(2,361)**	**(2.8)**		(1,858)	(2.8)		(1,243)	(2.5)
Excess tax benefit on stock-based compensation		**(1,255)**	**(1.5)**		—	—		—	—
Federal income tax credits and incentives		**(936)**	**(1.1)**		(616)	(0.9)		—	—
Other		**531**	**0.6**		240	0.3		303	0.6
Income taxes	$	**28,075**	**33.6%**	$	23,380	35.6%	$	18,404	37.5%

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in deductible or taxable amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense is the tax payable or refundable for the current period plus or minus the change in deferred tax assets and liabilities during the period.

In March 2016, the FASB issued a new accounting standard for share-based payment awards, which simplifies (i) the income tax consequences related to exercised or vested share-based payment awards; (ii) the classification of awards as assets or liabilities; and (iii) the classification in the consolidated statements of cash flows. In addition, the standard provides an accounting policy election to account for forfeitures as they occur. This standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 and early adoption is permitted. The Company elected to early adopt the requirements of this accounting standard in the fourth quarter of 2016 and retroactively reflected the impact of the adoption in its financial statements effective January 1, 2016 as required under the standard. Specifically, the excess tax benefits related to the settlement of share-based compensation that were realized in 2016, and previously recorded in additional paid-in capital, were reclassified as a reduction to income tax expense on the consolidated statement of income for the year ended December 31, 2016. See Note 18 for the impact of the reclassification to the Company's previously reported net income and net income per basic and diluted share calculations for the first three quarters of 2016.

In 2016 and 2015, the Company realized approximately $3.2 million and $2.9 million, respectively, of additional taxable deductions related to excess tax benefits on share-based compensation, which had not been recorded as deferred tax assets at December 31, 2015 and 2014. In 2016, these tax benefits were recorded as a reduction to income tax expense upon realization in relation to the adoption of the share-based payment awards accounting standard. In 2015, the tax benefits were recorded to additional paid-in-capital upon realization as required under the previous accounting standard.

The composition of the deferred tax assets and liabilities as of December 31, 2016 and 2015 is as follows:

(thousands)		2016		2015
Long-term deferred income tax assets (liabilities):				
Trade receivables allowance	$	**36**	$	59
Inventory capitalization		**1,142**		890
Accrued expenses		**4,248**		4,153
Deferred compensation		**701**		794
Inventory reserves		**1,501**		1,211
State NOL Carryforwards		**13**		30
Share based compensation		**3,983**		2,434
Pension liability		**13**		12
Intangibles		**(9,467)**		(473)
Depreciation expense		**(6,658)**		(5,151)
Prepaid expenses		**(500)**		(1,955)
Deferred tax assets (liabilities), net	$	**(4,988)**	$	2,004

In November 2015, the FASB issued a new accounting standard that simplifies the presentation of deferred income taxes. Under the new standard, deferred tax assets and liabilities are required to be classified, on a net basis, as noncurrent on the

consolidated statement of financial position. The standard is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 and early adoption is permitted. During the first quarter of 2016, the Company elected to adopt this standard, thus reclassifying current deferred tax assets to noncurrent, net of deferred tax liabilities, on the consolidated statements of financial position. The prior year reporting period was retroactively adjusted. Current assets on the Company's consolidated statement of financial position as of December 31, 2015 were reduced by the reclassification of $5.8 million of current deferred tax assets to long-term deferred tax assets. Total assets and total liabilities on the Company's consolidated statements of financial position as of December 31, 2015 were reduced by the reclassification of $3.8 million of long-term deferred tax liabilities to long-term deferred tax assets. The adoption of this standard had no impact on the Company's consolidated statements of income.

The Company paid income taxes of $29.2 million, $24.1 million and $16.7 million in 2016, 2015 and 2014, respectively.

The Company did not reflect any unrecognized tax benefits in its financial statements as of December 31, 2016 or December 31, 2015 and does not expect any significant changes relating to unrecognized tax benefits in the 12 months following December 31, 2016.

The Company is subject to periodic audits by domestic tax authorities. For the majority of tax jurisdictions, the U.S. federal statute of limitations remains open for the years 2013 and later. The Company is currently under audit by the State of Indiana for tax years 2012, 2013 and 2014.

11. SHAREHOLDERS' EQUITY

Preferred Stock

The Company has 1,000,000 shares of preferred stock authorized, without par value, the issuance of which is subject to approval by the Board of Directors (the "Board"). The Board has the authority to fix the number, rights, preferences and limitations of the shares, subject to applicable laws and the provisions of the Articles of Incorporation.

Common Stock

The Company has 20,000,000 shares of common stock authorized, without par value, of which 15,319,993 shares and 15,160,781 shares were issued and outstanding as of December 31, 2016 and 2015, respectively.

The Company issued 279,950 shares in 2016, 278,757 shares in 2015, and 165,060 shares in 2014 related to stock-based compensation plans and for the exercise of stock options and SARS (as defined herein). The shares issued were net of repurchases made by the Company of 14,211 shares in 2016, 29,536 shares in 2015, and 21,726 shares in 2014 for the sole purpose of satisfying the minimum tax withholding obligations of employees upon the vesting of stock awards held by the employees.

In addition, in 2016, 2015 and 2014, the Company repurchased 120,738 shares, 618,557 shares and 517,125 shares, respectively, of its common stock through a stock repurchase program. See Note 12 for further details.

The Company's common stock does not have a stated par value. As a result, repurchases of common stock have been reflected, using an average cost method, as a reduction of common stock, additional paid-in-capital and retained earnings in the Company's consolidated statements of financial position.

Accumulated Other Comprehensive Income

U.S. GAAP defines comprehensive income as non-shareholder changes in equity. The components of and changes in accumulated other comprehensive income as of December 31, 2016, 2015 and 2014 were immaterial.

Termination of Shareholder Rights Agreement

On April 16, 2015, the Company accelerated the expiration date of the Shareholder Rights Agreement, dated March 21, 2006, between Patrick Industries, Inc. and National City Bank, as Rights Agent (as so amended, the "Rights Agreement") so that the Rights Agreement terminated at the close of business on April 16, 2015 and, therefore, the Rights issued under the Rights Agreement expired at that time.

12. STOCK REPURCHASE PROGRAMS

In February 2013, the Board approved a stock repurchase program which was subsequently expanded in February 2014 and February 2015 (the "2013 Repurchase Plan").

In January 2016, the Company fully utilized the remaining authorization under the 2013 Repurchase Plan and announced that the Board approved a new stock repurchase program that authorizes the repurchase of up to $50 million of the Company's common stock over a 24-month period (the "2016 Repurchase Plan").

Repurchases of the Company's common stock, in the aggregate, under both the 2013 and 2016 Repurchase Plans were as follows:

Year	Shares Repurchased	Total Cost (in thousands)	Average Price Per Share
2013	610,995	$ 6,078	$ 9.95
2014	517,125	13,928	26.93
2015	618,557	22,637	36.60
2016	70,636	2,865	40.56
Total stock repurchases under 2013 Repurchase Plan	1,817,313	45,508	25.04
2016 Repurchase Plan	50,102	2,349	46.88
Total cumulative stock repurchases	1,867,415	$ 47,857	$ 25.63

13. NET INCOME PER COMMON SHARE

Net income per common share is calculated for the years ended December 31, 2016, 2015 and 2014 as follows:

(thousands except per share data)	**2016**	2015	2014
Net income for basic and diluted per share calculation	**$ 55,577**	$ 42,219	$ 30,674
Weighted average common shares outstanding - basic	**15,013**	15,323	15,950
Effect of potentially dilutive securities	**251**	180	89
Weighted average common shares outstanding - diluted	**15,264**	15,503	16,039
Basic net income per common share	**$ 3.70**	$ 2.76	$ 1.92
Diluted net income per common share	**$ 3.64**	$ 2.72	$ 1.91

14. LEASE COMMITMENTS

Leases

The Company leases office, manufacturing, and warehouse facilities and certain equipment under various non-cancelable agreements, which expire at various dates through 2027. These agreements contain various renewal options and provide for minimum annual rentals plus the payment of real estate taxes, insurance, and normal maintenance on the properties.

At December 31, 2016, future minimum lease payments required under facility and equipment operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

(thousands)	Facility Leases	Equipment Leases
2017	$ 10,878	$ 3,330
2018	9,367	2,862
2019	7,509	2,067
2020	5,244	1,293
2021	1,925	767
Thereafter	—	700
Total minimum lease payments	$ 34,923	$ 11,019

The total rent expense included in the consolidated statements of income for the years ended December 31, 2016, 2015 and 2014 is $13.7 million, $9.3 million and $6.7 million, respectively.

15. COMMITMENTS AND CONTINGENCIES

Legal

The Company is subject to proceedings, lawsuits, audits, and other claims arising in the normal course of business. All such matters are subject to uncertainties and outcomes that are not predictable with assurance. Accruals for these items, when applicable, have been provided to the extent that losses are deemed probable and are reasonably estimable. These accruals are adjusted from time to time as developments warrant.

Although the ultimate outcome of these matters cannot be ascertained, on the basis of present information, amounts already provided, availability of insurance coverage and legal advice received, it is the opinion of management that the ultimate resolution of these proceedings, lawsuits, and other claims will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

Self-Insurance

The Company has a self-insured health plan for its employees under which there is both a participant stop-loss and an aggregate stop-loss based on total participants. The Company is potentially responsible for annual claims not to individually exceed $250,000 at December 31, 2016.

16. COMPENSATION PLANS

Deferred Compensation Obligations

The Company has deferred compensation agreements with certain key employees. The agreements provide for monthly benefits for ten years subsequent to retirement, disability, or death. The Company has accrued an estimated liability based upon the present value of an annuity needed to provide the future benefit payments. The assumed discount rate to measure the liability was 4.5% for both of the years ended December 31, 2016 and 2015. The Company recognized expense of $0.1 million for each of the years ended December 31, 2016, 2015 and 2014 in conjunction with this plan. Life insurance contracts have been purchased which may be used to fund these agreements. The contracts are recorded at their cash surrender value in the statements of financial position. Any differences between actual proceeds and cash surrender value are recorded as gains or losses in the periods presented. Additionally, the Company records gains or losses on the cash surrender value in the period incurred. The gains recognized were immaterial for all periods presented.

Bonus Plan

The Company pays bonuses to certain management and sales personnel. Historically, bonuses are determined annually and are based upon corporate and divisional income levels and the achievement of individually defined performance criteria. The charge to operations amounted to approximately $8.7 million, $4.6 million and $4.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Profit-Sharing Plan

The Company has a qualified profit-sharing plan, more commonly known as a 401(k) plan, for all of its full-time and part-time eligible employees upon meeting certain conditions. The plan provides for matching contributions by the Company as defined in the agreement. The contributions and related expense for the years ended December 31, 2016, 2015 and 2014 were immaterial.

Stock Option, Stock Appreciation Rights, and Stock-Based Incentive Plans

The Company has various stock option and stock-based incentive plans and various agreements whereby stock options, restricted stock awards, and SARS were made available to certain key employees, directors, and others based upon meeting various individual, divisional or company-wide performance criteria and time-based criteria. All such awards qualify and are accounted for as equity awards. Equity incentive plan awards are intended to retain and reward key employees for outstanding performance and efforts as they relate to the Company's short-term and long-term objectives and its strategic plan.

The Company's 2009 Omnibus Incentive Plan (the "Plan") permits the future granting of share options and share awards to its employees, directors and other service providers. Option awards are generally granted with an exercise price equal to, or greater than, the market price of the Company's stock at the date of grant.

The Company recorded compensation expense of $6.5 million, $4.7 million and $3.3 million for the years ended December 31, 2016, 2015 and 2014, respectively, on the consolidated statements of income for its stock-based compensation plans. As of December 31, 2016, there was approximately $9.5 million of total unrecognized compensation cost related to share-based compensation arrangements granted under incentive plans. That cost is expected to be recognized over a weighted-average period of approximately 17.6 months.

Stock Options:

Stock options vest pro-ratably over three and four years and have nine to ten-year contractual terms.

On September 26, 2016, the Company's Compensation Committee of the Board approved the grant of 80,592 stock options under the 2009 Plan at an exercise price per share of $61.43. The stock options vest pro-rata over four years, commencing on September 26, 2017, and have nine-year contractual terms.

The following table summarizes the Company's option activity during the years ended December 31, 2016, 2015 and 2014 for the options granted in 2009, 2013 and 2016:

Years ended December 31	**2016**		2015		2014	
(shares in thousands)	**Shares**	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Total Options:						
Outstanding beginning of year	**229**	**$ 16.26**	344	$ 16.24	366	$ 15.31
Granted during the year	**80**	**61.43**	—	—	—	—
Forfeited during the year	**—**	**—**	—	—	—	—
Exercised during the year	**(117)**	**15.93**	(115)	16.18	(22)	1.17
Outstanding, end of year	**192**	**$ 35.39**	229	$ 16.26	344	$ 16.24
Vested Options:						
Vested during the year	**100**	**$ 18.45**	100	$ 18.45	100	$ 18.45
Eligible, end of year for exercise	**112**	**$ 16.62**	129	$ 14.57	144	$ 13.16
Aggregate intrinsic value ($ in thousands):						
Total options outstanding		**$ 7,869**		$ 6,234		$ 4,499
Options exercisable		**$ 6,671**		$ 3,729		$ 2,325
Options exercised		**$ 4,024**		$ 3,151		$ 616
Weighted average fair value of options granted during the year		**$ 18.54**		N/A		N/A

The aggregate intrinsic value (excess of market value over the option exercise price) in the table above is before income taxes, and assuming the Company's closing stock price of $76.30, $43.50 and $29.32 per share as of December 31, 2016, 2015 and 2014, respectively, is the price that would have been received by the option holders had those option holders exercised their options as of that date.

The cash received from the exercise of stock options was approximately $1.9 million, $1.9 million and $26,000 in 2016, 2015 and 2014, respectively. The income tax benefit related to the stock options exercised in 2016, 2015 and 2014 was $0.3 million, $0.2 million and $0.2 million, respectively. The grant date fair value of stock options vested in each of 2016, 2015 and 2014 was $1.8 million.

A summary of options outstanding and exercisable at December 31, 2016 is as follows:

	Options Outstanding			Options Exercisable	
(shares in thousands)	Shares Outstanding	Remaining Contractual Life (years)	Exercise Price	Shares Exercisable	Exercise Price
2009 Grants:					
Exercise price - $0.50	**2**	**2.4**	**$ 0.50**	**2**	**$ 0.50**
Exercise price - $1.17	**10**	**2.4**	**1.17**	**10**	**1.17**
2013 Grant:					
Exercise price - $18.45	**100**	**6.0**	**$ 18.45**	**100**	**$ 18.45**
2016 Grant:					
Exercise price - $61.43	**80**	**8.8**	**$ 61.43**	**—**	**$ 61.43**

The following table presents assumptions used in the Black-Scholes model for the stock options granted in 2016. There were no stock options granted in 2014 and 2015.

	2016
Dividend rate	—
Risk-free interest rate	1.00%
Expected option life (years)	5.75
Price volatility	30.00%

As of December 31, 2016, there was approximately $1.4 million of total unrecognized compensation expense related to the stock options, which is expected to be recognized over a weighted-average remaining life of approximately 45.0 months.

On January 17, 2017, the Company's Compensation Committee of the Board approved the grant of 226,740 stock options under the 2009 Plan at an exercise price per share of $80.75. The stock options vest pro-rata over four years, commencing on January 17, 2018, and have nine-year contractual terms.

Stock Appreciation Rights (SARS):

On September 26, 2016, the Company's Compensation Committee of the Board approved the grant of 80,592 SARS under the 2009 Plan divided into four tranches of 20,148 shares each, at strike prices of $61.43, $71.26, $82.66 and $95.89 per share. The SARS vest pro-ratably over four years from the grant date and have nine-year contractual terms. The SARS are to be settled in shares of common stock, or at the sole discretion of the Board in cash. The grant date fair value of these awards totaled $1.1 million and this amount is being amortized over the four-year vesting period.

The following table summarizes the Company's SARS activity during the years ended December 31, 2016, 2015 and 2014 for the SARS granted in 2013 and 2016:

Years ended December 31	**2016**		2015		2014	
(shares in thousands)	**Shares**	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Total SARS:						
Outstanding beginning of year	**200**	**$ 24.75**	300	$ 24.75	300	$ 24.75
Granted during the year	**80**	**77.81**	—	—	—	—
Forfeited during the year	**—**	**—**	—	—	—	—
Exercised during the year	**(100)**	**24.75**	(100)	24.75	—	—
Outstanding, end of year	**180**	**$ 48.43**	200	$ 24.75	300	$ 24.75
Vested SARS:						
Vested during the year	**100**	**$ 24.75**	100	$ 24.75	100	$ 24.75
Eligible, end of year for exercise	**100**	**$ 24.75**	100	$ 24.75	100	$ 24.75
Aggregate intrinsic value ($ in thousands):						
Total SARS outstanding		**$ 5,556**		$ 3,749		$ 1,370
SARS exercisable		**$ 5,155**		$ 1,875		$ 457
SARS exercised		**$ 2,379**		$ 2,252		—
Weighted average fair value of SARS granted during the year		**$ 13.94**		N/A		N/A

The aggregate intrinsic value (excess of market value over the SARS exercise price) in the table above is before income taxes, and assuming the Company's closing stock price of $76.30, $43.50 and $29.32 per share as of December 31, 2016, 2015 and 2014, respectively, is the price that would have been received by the SARS holder had that SARS holder exercised the SARS as of that date.

A summary of SARS outstanding and exercisable at December 31, 2016 is as follows:

	SARS Outstanding			SARS Exercisable	
(shares in thousands)	Shares Outstanding	Remaining Contractual Life (years)	Exercise Price	Shares Exercisable	Exercise Price
2013 Grant:					
Exercise price - $18.45	**25**	**6.0**	**$ 18.45**	**25**	**$ 18.45**
Exercise price - $22.13	**25**	**6.0**	**22.13**	**25**	**22.13**
Exercise price - $26.56	**25**	**6.0**	**26.56**	**25**	**26.56**
Exercise price - $31.87	**25**	**6.0**	**31.87**	**25**	**31.87**
2016 Grant:					
Exercise price - $61.43	**20**	**8.8**	**$ 61.43**	**—**	**$ 61.43**
Exercise price - $71.26	**20**	**8.8**	**71.26**	**—**	**71.26**
Exercise price - $82.66	**20**	**8.8**	**82.66**	**—**	**82.66**
Exercise price - $95.89	**20**	**8.8**	**95.89**	**—**	**95.89**

The following table presents assumptions used in the Black-Scholes model for the SARS granted in 2016. There were no SARS granted in 2015 and 2014.

	2016
Dividend rate	—
Risk-free interest rate	1.00%
Expected option life (years)	5.75
Price volatility	30.00%

As of December 31, 2016, there was approximately $1.0 million of total unrecognized compensation expense related to the SARS which is expected to be recognized over a weighted-average remaining life of approximately 45.0 months.

On January 17, 2017, the Company's Compensation Committee of the Board approved the grant of 226,748 SARS under the 2009 Plan divided into four tranches of 56,687 shares each, at strike prices of $80.75, $90.04, $100.39 and $111.94 per share. The SARS vest pro-ratably over four years from the grant date and have nine-year contractual terms. The SARS are to be settled in shares of common stock, or at the sole discretion of the Board in cash.

Restricted Stock and Restricted Stock Units:

The Company's stock-based awards consist of both restricted stock awards and restricted stock units ("RSUs"). As of December 31, 2016, there was approximately $7.1 million of total unrecognized compensation expense related to restricted stock, which is expected to be recognized over a weighted-average remaining life of approximately 14.5 months.

On January 17, 2017, the Board approved restricted stock grants totaling 69,503 shares. The restricted shares cliff-vest at the conclusion of a three year period based on performance- and time-based contingencies. The Company expects to expense approximately $5.6 million related to those shares pro-ratably over the vesting period on the consolidated statement of income.

Restricted Stock

Restricted stock awards possess voting rights, are included in the calculation of actual shares outstanding, and include both performance- and time-based contingencies. The grant date fair value of the awards is expensed over the related service or performance period. Time-based shares cliff vest at the conclusion of the required service period, which ranges from one to three years. The performance contingent shares are earned based on the achievement of a cumulative financial performance target over a three-year period and vest at the conclusion of the measurement period.

The following table summarizes the activity for restricted stock for the years ended December 31, 2016, 2015 and 2014:

	2016		2015		2014	
(shares in thousands)	**Shares**	**Weighted-Average Grant Date Stock Price**	Shares	Weighted-Average Grant Date Stock Price	Shares	Weighted-Average Grant Date Stock Price
Unvested beginning of year	**435**	**$ 22.21**	510	$ 12.62	588	$ 5.35
Granted during the year	**155**	**42.92**	146	32.56	166	24.69
Vested during the year	**(156)**	**12.24**	(221)	6.89	(244)	3.07
Forfeited during the year	**(5)**	**31.23**	—	—	—	—
Unvested, end of year	**429**	**$ 33.22**	435	$ 22.21	510	$ 12.62

RSUs

Since RSUs do not possess voting rights, they are not included in the calculation of shares outstanding. The RSUs include a performance-based contingency. The grant date fair value of the awards is expensed over the related performance period. The performance contingent RSUs are earned based on the achievement of a cumulative financial performance target over a three-year period and vest at the conclusion of the measurement period. In 2016, 2015 and 2014, the Company granted 22,000, 22,000 and 22,001 RSUs, respectively, at a weighted-average grant date stock price of $41.53, $41.73, and $24.81 per share, respectively.

In February 2017, the cumulative financial performance target was achieved at the maximum performance level for the 22,001 RSUs granted in 2014. Under the terms of the Company's long-term incentive plan, the shares payout for maximum performance is 125% of the target performance or a total of 27,502 shares. Upon vesting, the 27,502 shares will possess voting rights and will be included in the calculation of shares outstanding.

17. SEGMENT INFORMATION

The Company has determined that its reportable segments are those based on its method of internal reporting, which segregates its businesses by product category and production or distribution process.

A description of the Company’s reportable segments is as follows:

Manufacturing – This segment includes the following divisions: laminated products that are utilized to produce furniture, shelving, walls, countertops, and cabinet products, cabinet doors, fiberglass bath fixtures, hardwood furniture, vinyl printing, solid surface, granite, and quartz countertop fabrication, RV painting, fabricated aluminum products, fiberglass and plastic components, softwoods lumber, custom cabinetry, polymer-based flooring, electrical systems components, and other products. Patrick’s major manufactured products also include wrapped vinyl, paper and hardwood profile mouldings, interior passage doors, slide-out trim and fascia, and slotwall panels and components. The Manufacturing segment contributed approximately 82%, 78% and 75% of the Company’s net sales for the years ended December 31, 2016, 2015 and 2014, respectively.

Distribution – The Company distributes pre-finished wall and ceiling panels, drywall and drywall finishing products, electronics and audio systems components, wiring, electrical and plumbing products, fiber reinforced polyester products, cement siding, interior passage doors, roofing products, laminate and ceramic flooring, shower doors, furniture, fireplaces and

surrounds, interior and exterior lighting products, and other miscellaneous products. The Distribution segment contributed approximately 18%, 22% and 25% of the Company's net sales for the years ended December 31, 2016, 2015 and 2014, respectively.

The accounting policies of the segments are the same as those described in Note 2, except that segment data includes intersegment sales. Assets are identified to the segments with the exception of cash, prepaid expenses, land and buildings, and certain deferred assets, which are identified with the corporate division. The corporate division charges rents to the segments for use of the land and buildings based upon estimated market rates. The Company accounts for intersegment sales similar to third party transactions, which reflect current market prices. The Company also records certain income from purchase incentive agreements as corporate division revenue. The Company evaluates the performance of its segments and allocates resources to them based on a variety of indicators including sales, cost of goods sold, operating income, depreciation and amortization, and total identifiable assets as presented in the tables below.

The tables below present information about the operating income, segment assets, and certain other items that are either used by or provided to the chief operating decision maker of the Company as of and for the years ended December 31, 2016, 2015 and 2014 (in thousands):

2016

	Manufacturing	**Distribution**	**Total**
Net outside sales	**$ 997,205**	**$ 224,682**	**$ 1,221,887**
Intersegment sales	**23,187**	**2,898**	**26,085**
Total sales	**1,020,392**	**227,580**	**1,247,972**
Cost of goods sold	**853,596**	**189,263**	**1,042,859**
Operating income	**107,105**	**15,001**	**122,106**
Identifiable assets	**421,203**	**61,725**	**482,928**
Depreciation and amortization	**18,553**	**3,102**	**21,655**

2015

	Manufacturing	Distribution	Total
Net outside sales	$ 720,411	$ 199,922	$ 920,333
Intersegment sales	17,964	2,565	20,529
Total sales	738,375	202,487	940,862
Cost of goods sold	616,038	170,886	786,924
Operating income	78,582	12,790	91,372
Identifiable assets	300,305	51,677	351,982
Depreciation and amortization	12,676	1,987	14,663

2014

	Manufacturing	Distribution	Total
Net outside sales	$ 548,796	$ 186,921	$ 735,717
Intersegment sales	18,356	2,517	20,873
Total sales	567,152	189,438	756,590
Cost of goods sold	477,189	160,375	637,564
Operating income	55,838	10,659	66,497
Identifiable assets	167,278	50,869	218,147
Depreciation and amortization	7,087	1,560	8,647

Consolidated net sales by product type were as follows for the years ended December 31, 2016, 2015 and 2014:

(thousands)	2016	2015	2014
Decorative interior products and components	$ 982,213	$ 733,830	$ 615,285
Non-decorative interior products and components	75,406	59,436	54,025
Exterior products and other	164,268	127,067	66,407
Consolidated net sales	$ 1,221,887	$ 920,333	$ 735,717

A reconciliation of certain line items pertaining to the total reportable segments to the consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014 is as follows (in thousands):

	2016	2015	2014
Net sales:			
Total sales for reportable segments	$ 1,247,972	$ 940,862	$ 756,590
Elimination of intersegment sales	(26,085)	(20,529)	(20,873)
Consolidated net sales	$ 1,221,887	$ 920,333	$ 735,717
Cost of goods sold:			
Total cost of goods sold for reportable segments	$ 1,042,859	$ 786,924	$ 637,564
Elimination of intersegment cost of goods sold	(26,085)	(20,529)	(20,873)
Other	2,644	1,659	523
Consolidated cost of goods sold	$ 1,019,418	$ 768,054	$ 617,214
Operating income:			
Operating income for reportable segments	$ 122,106	$ 91,372	$ 66,497
Unallocated corporate expenses	(17,901)	(12,667)	(10,549)
Amortization	(13,368)	(8,787)	(4,477)
Consolidated operating income	$ 90,837	$ 69,918	$ 51,471
Consolidated total assets:			
Identifiable assets for reportable segments	$ 482,928	$ 351,982	$ 218,147
Corporate property and equipment	38,550	23,611	24,854
Current and long-term assets not allocated to segments	10,630	4,838	8,602
Intangibles and other assets not allocated to segments	2,842	3,068	3,958
Consolidated total assets	$ 534,950	$ 381,584	$ 255,561
Depreciation and amortization:			
Depreciation and amortization for reportable segments	$ 21,655	$ 14,663	$ 8,647
Corporate depreciation and amortization	2,707	2,112	1,786
Consolidated depreciation and amortization	$ 24,362	$ 16,775	$ 10,433

Amortization expense related to intangible assets in the Manufacturing segment for the years ended December 31, 2016, 2015 and 2014 was $10.6 million, $7.1 million and $3.2 million, respectively. Intangible assets amortization expense in the Distribution segment was $2.7 million, $1.7 million and $1.3 million in 2016, 2015 and 2014, respectively.

Unallocated corporate expenses include corporate general and administrative expenses comprised of wages, insurance, taxes, supplies, travel and entertainment, professional fees and other.

Major Customers

The Company had one RV customer that accounted for approximately 23% and 33% of the trade receivables balance at December 31, 2016 and 2015, respectively. There were no other customers that accounted for more than 10% of the trade receivables balance at December 31, 2016 and 2015.

The Company had two customers in the RV market that each accounted for over 10% of consolidated net sales. One RV customer accounted for approximately 27%, 29% and 34% of consolidated net sales in 2016, 2015 and 2014, respectively. In addition, a second RV customer accounted for approximately 33%, 32% and 27% of consolidated net sales in 2016, 2015 and 2014, respectively.

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial data for the years ended December 31, 2016 and 2015 is as follows:

(thousands except per share data)	**1Q**	**2Q**	**3Q**	**4Q**	**2016**
Net sales	**$ 278,637**	**$ 315,163**	**$ 304,151**	**$ 323,936**	**$ 1,221,887**
Gross profit	**45,352**	**55,284**	**48,852**	**52,981**	**202,469**
Net income (1)	**12,975**	**16,969**	**12,073**	**13,560**	**55,577**
Net income per common share (1) (2):					
Basic	**$ 0.87**	**$ 1.13**	**$ 0.80**	**$ 0.90**	**$ 3.70**
Diluted	**0.85**	**1.11**	**0.79**	**0.89**	**3.64**

(thousands except per share data)	1Q	2Q	3Q	4Q	2015
Net sales	$ 223,388	$ 233,481	$ 214,805	$ 248,659	$ 920,333
Gross profit	35,394	40,393	35,041	41,451	152,279
Net income	9,150	12,073	8,960	12,036	42,219
Net income per common share (2):					
Basic	$ 0.60	$ 0.79	$ 0.58	$ 0.79	$ 2.76
Diluted	0.59	0.78	0.58	0.78	2.72

(1) The first three quarters of 2016 reflect the retroactive adjustment to net income and the related basic and diluted per share amounts which resulted from the Company's adoption of the share-based compensation accounting standard in the fourth quarter of 2016. See "Stock Compensation" in Note 3 for additional details.

(2) Basic and diluted net income per common share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted net income per common share information may not equal annual basic and diluted net income per common share.

The adoption of the new accounting standard resulted in the retroactive recognition of $1.3 million of excess tax benefits in the Company's provision for income taxes rather than in additional paid-in capital during the first three quarters of 2016 and impacted the previously reported quarterly results for the first three quarters of 2016 as follows:

	Quarter ended Mar 27, 2016		Quarter ended Jun 26, 2016		Quarter ended Sep 25, 2016	
(thousands except per share data)	As reported	As adjusted	As reported	As adjusted	As reported	As adjusted
Income statements:						
Provision for income taxes	$ 6,932	$ 5,990	$ 9,672	$ 9,406	$ 6,175	$ 6,127
Net income	$ 12,033	$ 12,975	$ 16,703	$ 16,969	$ 12,025	$ 12,073
Basic earnings per share	$ 0.81	$ 0.87	$ 1.11	$ 1.13	$ 0.80	$ 0.80
Diluted earnings per share	$ 0.80	$ 0.85	$ 1.10	$ 1.11	$ 0.79	$ 0.79
Diluted weighted average shares outstanding	15,130	15,192	15,176	15,231	15,235	15,308

19. RELATED PARTY TRANSACTIONS

During 2016, the Company entered into transactions with companies affiliated with three of its independent Board members. The Company purchased approximately $0.6 million of corrugated packaging materials from Welch Packaging Group, an independently owned company established by M. Scott Welch who serves as its President and CEO. The Company also sold approximately $4.3 million of various fiberglass and plastic components, wiring, and wood products to Utilimaster Corporation, a subsidiary of Spartan Motors, Inc. John A. Forbes serves as President of Utilimaster. In addition, the Company sold approximately $0.4 million of RV component products to DNA Enterprises, Inc. ("DNA"). Walter E. Wells' son serves as the President of DNA Enterprises.

Exhibit 12

PATRICK INDUSTRIES, INC.

STATEMENT OF COMPUTATION OF OPERATING RATIOS

Operating ratios that appear in this Form 10-K, including cost of goods sold, gross profit, warehouse and delivery expenses, selling, general and administrative expenses, operating income, and net income were computed by dividing the respective amounts by net sales for the periods indicated.

Exhibit 21

PATRICK INDUSTRIES, INC.

SUBSIDIARIES OF THE REGISTRANT

Company	State of Incorporation
Adorn Holdings, Inc.	Delaware
Structural Composites, LLC	Indiana

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (333-156391, 333-159553, 333-174774, 333-178509, and 333-204777) on Form S-3, and the Registration Statements (333-145717, 333-165788 and 333-198321) on Form S-8, of Patrick Industries, Inc. of our report dated February 28, 2017, on the consolidated financial statements and effectiveness of internal controls over financial reporting of Patrick Industries, Inc. and subsidiaries, which report is included in Form 10-K for Patrick Industries, Inc. for the year ended December 31, 2016.

/s/ Crowe Horwath LLP

Oak Brook, Illinois
February 28, 2017

Exhibit 31.1

CERTIFICATIONS

I, Todd M. Cleveland, certify that:

1 I have reviewed this annual report on Form 10-K of Patrick Industries, Inc. (the "registrant");

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: February 28, 2017

/s/ Todd M. Cleveland

Todd M. Cleveland
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Joshua A. Boone, certify that:

1. I have reviewed this annual report on Form 10-K of Patrick Industries, Inc. (the "registrant");

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 company'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 company's internal control over financial reporting.

Date: February 28, 2017

/s/ Joshua A. Boone

Joshua A. Boone
Vice President - Finance and
Chief Financial Officer

Exhibit 32

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 Annual Report of Patrick Industries, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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; and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/s/ Todd M. Cleveland
Todd M. Cleveland
Chief Executive Officer

/s/ Joshua A. Boone
Joshua A. Boone
Vice President – Finance and
Chief Financial Officer

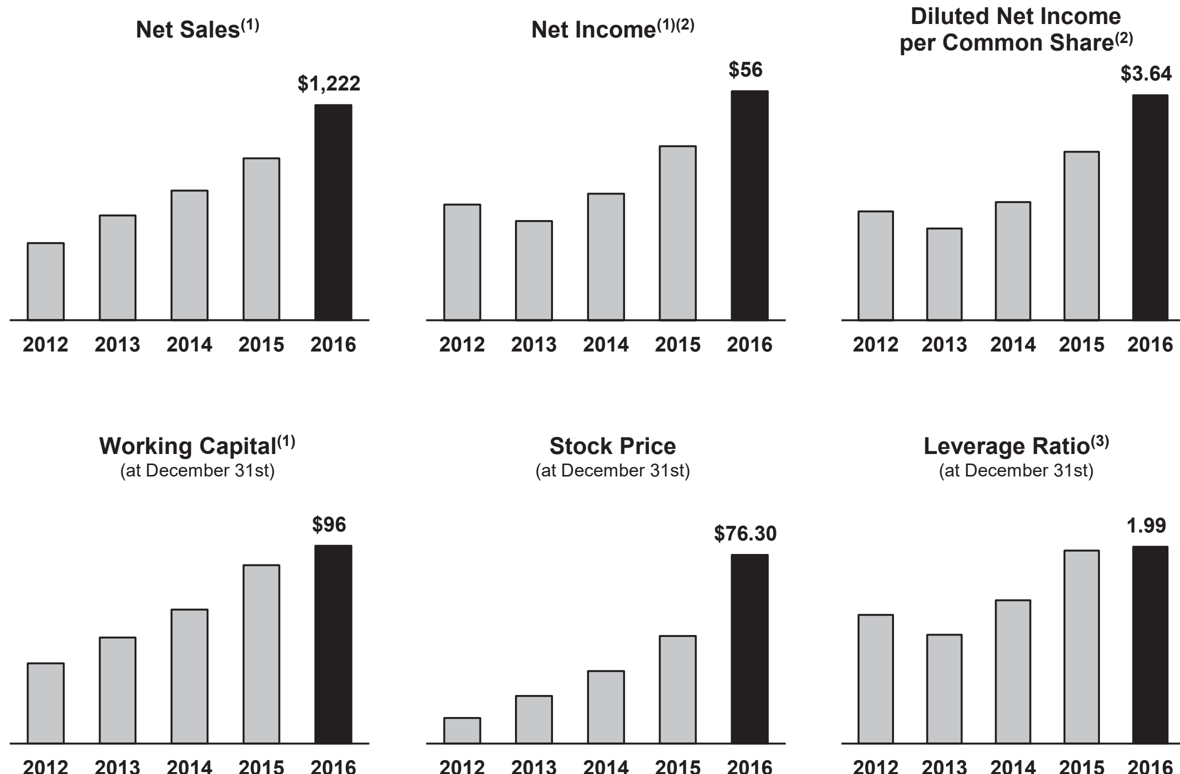
February 28, 2017

Selected Financial Data

As of or for the Year Ended December 31, (thousands except per share amounts)

	2016	2015	2014
Net Sales	$ 1,221,887	$ 920,333	$ 735,717
Gross Profit	202,469	152,279	118,503
Warehouse & delivery expenses	36,081	27,106	26,163
Selling, general & administrative expenses	62,183	46,468	36,392
Operating income	90,837	69,918	51,471
Net income	55,577	42,219	30,674
Diluted net income per common share	3.64	2.72	1.91
Weighted average shares outstanding – diluted	15,264	15,503	16,039
Total assets	534,950	381,584	255,561
Total debt	273,153	204,484	101,054
Shareholders' equity	185,448	128,597	102,768
Net cash provided by operating activities	97,147	66,856	46,318
Number of employees	4,497	3,542	2,799

Investor Information



(1) In millions (2) 2012 net income was positively impacted by a non-cash income tax credit of $6.8 million or $0.43 per diluted share related to the reversal of the tax valuation allowance. (3) Ratio of funded debt to EBITDA

Officers

Todd M. Cleveland
Chief Executive Officer

Andy L. Nemeth
President

Joshua A. Boone
Vice President – Finance
Chief Financial Officer
and Secretary-Treasurer

Jeffrey M. Rodino
Executive Vice President –
Sales
Chief Sales Officer

Kip B. Ellis
Executive Vice President –
Operations
Chief Operating Officer

Courtney A. Blosser
Executive Vice President –
Human Resources
Chief Human Resources Officer

Board of Directors

Joseph M. Cerulli
Tontine Associates, LLC
Director since 2008

Todd M. Cleveland
CEO of the Company
Director since 2008

John A. Forbes
President
Utilimaster
Director since 2011

Paul E. Hassler
Chairman of the Board,
Retired President and
CEO of the Company
Director since 2005

Michael A. Kitson
Principal
AVL Growth Partners
Director since 2013

Andy L. Nemeth
President of the Company
Director since 2006

M. Scott Welch
President and CEO
Welch Packaging Group
Director since 2015

Walter E. Wells
Retired President and
CEO of Schult Homes
Corporation
Director since 2001

Corporate Information

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107 W. Franklin Street
P.O. Box 638
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(574) 294-7511
www.patrickind.com

Investor Relations
Julie Ann Kotowski
(574) 294-7511
kotowskj@patrickind.com

Independent Registered Public Accounting Firm
Crowe Horwath LLP

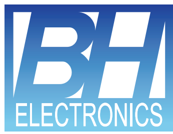
Stock Symbol
NASDAQ: PATK

Transfer Agent & Registrar
Computershare
211 Quality Circle, Suite 210
College Station, TX 77845
Within the U.S., Canada and Puerto Rico: (877) 581-5548
Outside the U.S., Canada and Puerto Rico: (781) 575-2879
web.queries@computershare.com
www.computershare.com/investor

Adorn is a manufacturer and supplier of custom-built hardwood doors, laminated panels, mouldings and pressed countertops to the RV and MH markets and specializes in handling high volume orders of solid hardwood products and producing specialty components to complement its high volume products.

AIA Countertops is a fabricator of solid surface, granite and quartz countertops, backsplashes, tables, and other products to the Residential, Commercial, RV and Marine industries.

Better Way Products is a manufacturer of fiberglass front and rear caps, marine helms and related fiberglass components primarily used in the RV, Marine and Transportation Vehicles markets.



BH Electronics (BHE) is a designer, engineer and manufacturer of custom thermoformed dash panel assemblies, center consoles and trim panels, complete electrical systems, including wiring harnesses, AC panels, circuit breakers and battery boxes, and related components and parts. BHE services many of the leading recreational boat manufacturers in the U.S.

Cana Cabinetry is a custom cabinetry manufacturer primarily serving the MH industry and the Residential, Hospitality and Institutional markets.

Charleston is a manufacturer of fiberglass and small plastic components primarily used in the RV, Marine and Vehicle after-market industries.

Creative Wood Designs is a manufacturer of furniture, hardwood tables, chairs, dinettes, trim, fascia, mouldings and other miscellaneous hardwood products to the RV industry.

Custom Vinyls is a manufacturer of interior flat laminated panels using decorative vinyl, paper, foil and high-pressure laminates, and wrapped vinyl, paper and hardwood profile mouldings, primarily for the RV and MH markets.

Décor is a manufacturer of interior flat laminated panels and wrapped mouldings for the MH and RV markets. Décor specializes in the lamination of vinyl and paper overlays to gypsum, MDF, particle board, plywood, pine and lauan.

Decorative Dynamics sells laminated panels and fabricated components to OEM manufacturers and distributors serving Residential and Commercial markets, including the kitchen cabinet, retail store fixtures, household furniture, and hotel/medical/institutional interiors markets.

Foremost is a fabricator and distributor of aluminum products, fiber-reinforced polyester sheet and coil, and custom laminated products, primarily used in the RV market.

Frontline Mfg. is a manufacturer of fiberglass bath fixtures including tubs, showers and combination tub/shower units for the RV, MH and Residential Housing markets.

Gravure Ink is a supplier to the RV and MH markets of decorative and textured printed wall vinyls that are laminated to gypsum, lauan or other materials.

Gustafson Lighting manufactures and distributes a variety of interior and exterior lighting products, ceiling fans and accessories to the RV and MH markets.

Interior Components Plus specializes in various industrial and RV products, including laminated countertops, slotwall, tabletops, cut-to-size parts and drawer sides, and interior passage doors.

KRA International is a manufacturer of wire harnesses and associated assemblies for RVs, Commercial Vehicles, Lawn Care Equipment, Marine products, the Defense Industry, and Automotive after-market products.

LS Manufacturing is a manufacturer of a wide variety of thermoformed plastic parts and components, primarily serving the RV market and certain Industrial markets.

Medallion Plastics is a designer, engineer and manufacturer of custom thermoformed products and components which include dash and trim panels and fender skirts for the RV market, and complete interior packages, bumper covers, hoods and trims for the Automotive, Specialty Transportation and other Industrial markets.

Middlebury Hardwood Products supplies hardwood cabinet doors, components and other hardwood products to the RV, MH and Residential kitchen cabinet industries.

Mishawaka Sheet Metal is a full-service distributor and fabricator of a wide variety of aluminum and steel products for the RV and Industrial markets.

North American Forest Products is a manufacturer and supplier of raw and processed softwoods products, including lumber, panels, trusses, bow trusses, and industrial packaging materials, primarily to the RV, MH, Mobile Office, Packaging, Industrial and Retail markets.

North American Moulding is a manufacturer and supplier of profile wraps, custom mouldings, laminated panels and raw panels to the RV, MH, Mobile Office, Packaging, Cabinet and Retail markets.

Parkland Plastics is a fully-integrated designer, green manufacturer and distributor of innovative polymer-based products including wall panels, lay-in ceiling panels, coated and rolled floors, protective moulding, and adhesives and accessories, which are used primarily in the RV industry and the Architectural and Industrial markets.

Patrick Distribution is a distributor of drywall and drywall finishing products, electronics, wiring, electrical, and plumbing products, interior passage doors, roofing products, flooring, shower doors, furniture, fireplaces and surrounds, RV gas grills, faucets and other miscellaneous products, primarily to the RV and MH markets.

Praxis Group is a manufacturer’s representative and distributor of countertops, foam products, shower doors, electronics and furniture products to the RV, MH, Marine and Construction markets.

The Precision Painting Group is comprised of three full-service custom exterior full body painting operations - Precision Painting, Carrera Custom Painting, and Millennium Paint - that also offer interior refurbishing and painting for both OEMs and existing RV and Fleet owners.

Premier Concepts is a fabricator of solid surface, granite and quartz countertops for the RV, MH and Residential Housing markets.

Progressive Group is a distributor and manufacturer's representative for major name-brand electronics to small, mid-size and large retailers, distributors, and custom installers, primarily serving the Auto and Home Electronics, Retail, Custom Integration and Commercial channels.

Quest Audio Video (QAV) is a distributor of major name-brand electronics products to OEMs in the RV, Marine and MH markets. QAV's technical group also tools and installs many key products and electronic components.

Sigma Wire Products is a manufacturer of a wide range of PVC insulated wire and cable products, primarily serving the RV and Marine markets.

Structural Composites of Indiana is a manufacturer of large, custom-molded fiberglass front and rear caps and roofs, primarily to the RV market, and specialty fiberglass components for the Transportation, Marine and other Industrial markets.

The Studio is Patrick Industries' all-inclusive Design/Innovation Center and Showroom, presenting the latest design trends and products, and providing a creative environment for our customers to design products and enhance their brands. It is a 'one-stop' shop that showcases the products, capabilities and services offered by each of our business units.

West Side Furniture is a distributor of La-Z-Boy® recliners and the Serta® mattress line, among other furniture products, to the RV market.

Corporate Office

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