CLEAN HARBORS INC
Form SC 13G/A
February 10, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Schedule 13G

Under the Securities Exchange Act of 1934

(Amendment No.: 4)*

Name of issuer: Clean Harbors Inc

Title of Class of Securities: Common Stock

CUSIP Number: 184496107

Date of Event Which Requires Filing of this Statement: **December 31, 2016**

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

(X) Rule 13d-1(b)

( ) Rule 13d-1(c)

( ) Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on the following page(s))

13G

CUSIP No.: 184496107

1. NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

The Vanguard Group - 23-1945930

2. CHECK THE APPROPRIATE [LINE] IF A MEMBER OF A GROUP

A. B. X

3. SEC USE ONLY

4. CITIZENSHIP OF PLACE OF ORGANIZATION

Pennsylvania

(For questions 5-8, report the number of shares beneficially owned by each reporting person with:)

5. SOLE VOTING POWER

31,484

6. SHARED VOTING POWER

5,665

7. SOLE DISPOSITIVE POWER

3,843,471

8. SHARED DISPOSITIVE POWER

33,947

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,877,418

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

N/A

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

6.75%

12. TYPE OF REPORTING PERSON

IA

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Act of 1934

Check the following [line] if a fee is being paid with this statement N/A

Item 1(a) - Name of Issuer:

Clean Harbors Inc

Item 1(b) - Address of Issuer's Principal Executive Offices:

42 Longwater Drive

Norwell, Massachusetts 02061-9149

Item 2(a) - Name of Person Filing:

The Vanguard Group - 23-1945930

Item 2(b) – Address of Principal Business Office or, if none, residence:

100 Vanguard Blvd.

Malvern, PA 19355

Item 2(c) – Citizenship:

Pennsylvania

Item 2(d) - Title of Class of Securities:

Common Stock

Item 2(e) - CUSIP Number

184496107

Item 3 - Type of Filing:

This statement is being filed pursuant to Rule 13d-1. An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E).

Item 4 - Ownership:

(a) Amount Beneficially Owned:

3,877,418

(b) Percent of Class:

6.75%

(c) Number of shares as to which such person has:

(i) sole power to vote or direct to vote: 31,484

(ii) shared power to vote or direct to vote: 5,665

(iii) sole power to dispose of or to direct the disposition of: 3,843,471

(iv) shared power to dispose or to direct the disposition of: 33,947

Comments:

Item 5 - Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6 - Ownership of More Than Five Percent on Behalf of Another Person:

Not applicable

Item 7 - Identification and Classification of the Subsidiary Which Acquired The Security Being Reported on by the Parent Holding Company:

See Attached Appendix A

Item 8 - Identification and Classification of Members of Group:

Not applicable

Item 9 - Notice of Dissolution of Group:

Not applicable

Item 10 - Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: 02/09/2017

By /s/ F. William McNabb III*

F. William McNabb III

President and Chief Executive Officer

*By: /s/ Glenn Booraem

Glenn Booraem, pursuant to a Power of Attorney filed September 9, 2013, see File Number 005-56905, Incorporated by Reference

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Appendix A

Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 28,282 shares or .04% of the Common Stock outstanding of the Company as a result of its serving as investment manager of collective trust accounts.

Vanguard Investments Australia, Ltd. ("VIA"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 8,867 shares or .01% of the Common Stock outstanding of the Company as a result of its serving as investment manager of Australian investment offerings.

By /s/ F. William McNabb III*

F. William McNabb III

President and Chief Executive Officer

*By: /s/ Glenn Booraem

Glenn Booraem, pursuant to a Power of Attorney filed September 9, 2013, see File Number 005-56905, Incorporated by Reference

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Weighted average shares outstanding:

Basic

27,294 21,204 15,723

Diluted	28,338	21,204	17,299

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

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PGT, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	December 29, 2007	December 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,479	$ 36,981
Accounts receivable, net	20,956	25,244
Inventories, net	9,223	11,161
Deferred income taxes, net	3,683	4,031
Other current assets	7,080	13,041
Total current assets	60,421	90,458
Property, plant and equipment, net	80,184	78,802
Other intangible assets, net	96,348	101,918
Goodwill	169,648	169,648
Other assets, net	1,264	1,968
Total assets	$ 407,865	$ 442,794
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 3,730	$ 2,776
Accrued liabilities	11,505	15,031
Current portion of long-term debt	332	420
Total current liabilities	15,567	18,227
Long-term debt	129,668	165,068
Deferred income taxes	48,927	51,217
Other liabilities	3,231	3,076
Total liabilities	197,393	237,588
Commitments and contingencies (Note 12)		
Shareholders equity:		
Preferred stock; par value $.01 per share; 10,000 shares authorized; none outstanding		
Common stock; par value $.01 per share; 200,000 shares authorized; 27,732 and 27,078 shares issued and 27,620 and 26,999 shares outstanding at December 29, 2007 and December 31, 2006, respectively	276	270
Additional paid-in-capital	210,964	205,799
Accumulated other comprehensive (loss) income	(422)	106
Accumulated deficit	(346)	(969)
Total shareholders equity	210,472	205,206
Total liabilities and shareholders equity	$ 407,865	$ 442,794

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

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PGT, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	December 29, 2007	**December 30, 2006**	**December 31, 2005**
Cash flows from operating activities:			
Net income (loss)	$ 623	$ (969)	$ 7,863
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	10,418	9,871	7,503
Amortization	5,570	5,742	8,020
Stock-based compensation	1,479	592	
Excess tax benefits from stock-based compensation plans	(1,762)	(5,375)	
Amortization of deferred financing costs	724	7,205	1,285
Unrealized loss (gain) on derivative financial instruments	692	(176)	(221)
Deferred income taxes	(1,423)	3,715	(4,978)
Expense related to stock issuance			334
Impairment of Lexington facility	826	1,151	
Write-off of trademark			7,200
Loss on disposal of assets	226	103	562
Change in operating assets and liabilities:			
Accounts receivable	4,393	16,376	(18,197)
Inventories	1,874	2,820	(2,530)
Prepaid expenses and other current assets	4,243	(748)	893
Accounts payable and accrued liabilities	(3,063)	(10,128)	13,964
Net cash provided by operating activities	24,820	30,179	21,698
Cash flows from investing activities:			
Purchases of property, plant and equipment	(10,569)	(26,753)	(15,864)
Proceeds from sales of equipment and intangibles	43	109	261
Net cash used in investing activities	(10,526)	(26,644)	(15,603)
Cash flows from financing activities:			
Proceeds from exercise of stock options	1,930	1,311	
Excess tax benefits from stock-based compensation plans	1,762	5,375	
Proceeds from initial public offering		129,471	
Proceeds from issuance of long-term debt		320,000	190,000
Net change in revolving line of credit			(2,000)
Payments of dividends		(83,484)	(20,000)
Payments of financing costs		(4,459)	(500)
Payments of long-term debt	(35,488)	(338,038)	(172,850)
Net cash (used in) provided by financing activities	(31,796)	30,176	(5,350)
Net (decrease) increase in cash and cash equivalents	(17,502)	33,711	745
Cash and cash equivalents at beginning of period	36,981	3,270	2,525
Cash and cash equivalents at end of period	$ 19,479	$ 36,981	$ 3,270

Supplemental cash flow information:			
Interest paid	$ 12,034	$ 22,827	$ 11,643
Income taxes paid	$ 2,798	$ 1,242	$ 10,780

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

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PGT, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(in thousands except share amounts)

	Common stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2005	15,720,351	$ 157	$ 157,458	$ 6,992	$ 1,500	$ 166,107
Issuance of stock as compensation	29,132		334			334
Dividends paid			(5,145)	(14,855)		(20,000)
Comprehensive income:						
Amortization of ineffective interest rate swap					(78)	(78)
Change in fair value of interest rate swaps, net of tax benefit of $248					465	465
Change in fair value of aluminum forward contracts, net of tax benefit of $1,202					1,880	1,880
Net income				7,863		7,863
Total comprehensive income						10,130
Balance at December 31, 2005	15,749,483	$ 157	$ 152,647	$	$ 3,767	$ 156,571
Dividends paid			(83,484)			(83,484)
Initial public offering, net of offering costs	10,147,058	102	129,369			129,471
Stock-based compensation			592			592
Exercise of stock options, including tax benefit of $5,375 from the exercise of stock options	1,102,510	11	6,675			6,686
Comprehensive income:						
Amortization of ineffective interest rate swap, net of tax benefit of $122					(191)	(191)
Change in fair value of interest rate swap, net of tax benefit of $34					(53)	(53)
Change in fair value of aluminum forward contracts, net of tax benefit of $2,185					(3,417)	(3,417)
Net loss				(969)		(969)
Total comprehensive loss						(4,630)
Balance at December 30, 2006	26,999,051	$ 270	$ 205,799	$ (969)	$ 106	$ 205,206
Exercise of stock options, including tax benefit of $1,762 from the exercise of stock options	609,837	6	3,686			3,692
Vesting of restricted stock	11,208					
Stock-based compensation			1,479			1,479
Comprehensive income:						
Amortization of ineffective interest rate swap, net of tax benefit of $102					(159)	(159)
Change in fair value of interest rate swap, net of tax expense of $5					8	8
Change in fair value of aluminum forward contracts, net of tax benefit of $241					(377)	(377)
Net income				623		623

Total comprehensive income						95
Balance at December 29, 2007	27,620,096	$ 276	$ 210,964	$ (346)	$ (422)	$ 210,472

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

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PGT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

PGT, Inc. (PGTI or the Company) is a leading manufacturer of impact-resistant aluminum and vinyl-framed windows and doors and offers a broad range of fully customizable window and door products. The majority of our Company s sales are to customers in the state of Florida; however, our Company also sells its products in over 40 states, the Caribbean and in South and Central America. Products are sold through an authorized dealer and distributor network, which our Company approves.

Our Company was incorporated in the state of Delaware on December 16, 2003, as JLL Window Holdings, Inc. On February 15, 2006, our Company was renamed PGT, Inc. On January 29, 2004, our Company acquired 100% of the outstanding stock of PGT Holding Company, based in North Venice, Florida. Our Company has one manufacturing operation and one glass tempering and laminating plant in North Venice, Florida with additional manufacturing operations located in Salisbury, North Carolina and Lexington, North Carolina.

All references to PGTI or our Company apply to the consolidated financial statements of both PGT, Inc. and PGT Holding Company, unless otherwise noted.

2. Summary of Significant Accounting Policies

Fiscal period

Our Company s fiscal year consists of 52 or 53 weeks ending on the Saturday nearest December 31 of the related year. The periods ended December 29, 2007, December 30, 2006 and December 31, 2005 each consisted of 52 weeks.

Principles of consolidation

The consolidated financial statements present the results of the operations, financial position and cash flows of PGTI and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Segment information

Our Company operates in one operating segment, the manufacture and sale of windows and doors.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Critical accounting estimates involved in applying our Company s accounting policies are those that require management to make assumptions about matters that are uncertain at the time the accounting estimate was made and those for which different estimates reasonably could have been used for the current period. Critical accounting estimates are also those which are reasonably likely to change from period to period and would have a material impact on the presentation of PGTI s financial condition, changes in financial condition or results of operations. Actual results could materially differ from those estimates.

Revenue recognition

PGTI recognizes revenue when we have a valid customer order with a fixed price has been received, the product has been delivered and accepted by the customer and collectibility is reasonably assured. Revenues are recognized net of allowances for discounts and estimated returns, which are estimated using historical experience.

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Cost of sales

Cost of sales represents costs directly related to the production of our Company s products. Primary costs include raw materials, direct labor, and manufacturing overhead. Manufacturing overhead and related expenses primarily include salaries, wages, employee benefits, utilities, maintenance, engineering and property taxes.

Shipping and handling costs

Handling costs incurred in the manufacturing process are included in cost of sales. All other shipping and handling costs are included in selling, general and administrative expenses and total $17.3 million, $22.2 million and $19.5 million for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively.

Advertising

Our Company expenses advertising costs as incurred. Advertising expense included in selling, general and administrative expenses was $1.8 million, $3.9 million and $2.5 million for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively.

Research and development costs

Our Company expenses research and development costs as incurred. Research and development costs included in selling, general and administrative expenses were $2.2 million, $1.9 million and $2.2 million for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments with an original maturity date of three months or less.

Accounts and notes receivable and allowance for doubtful accounts

Our Company extends credit to qualified dealers and distributors, generally on a non-collateralized basis. Accounts receivable are recorded at their gross receivable amount, reduced by an allowance for doubtful accounts that results in the receivable being recorded at its net realizable value. The allowance for doubtful accounts is based on management s assessment of the amount which may become uncollectible in the future and is determined through consideration of Company write-off history, specific identification of uncollectible accounts, and consideration of prevailing economic and industry conditions. Uncollectible accounts are written off after repeated attempts to collect from the customer have been unsuccessful.

Accounts receivable consist of the following:

	December 29, 2007	December 30, 2006
	(In thousands)	
Accounts receivable	$ 21,372	$ 26,187
Less: Allowance for doubtful accounts	(416)	(943)
	$ 20,956	$ 25,244

Allowance for Doubtful Accounts	Balance at Beginning of Period	Costs and expenses	Deductions(1)	Balance at End of Period
		(In thousands)		
Year ended December 29, 2007	$ 943	$ (160)	$ (367)	$ 416

Year ended December 30, 2006	$ 2,450	$ 373	$ (1,880)	$ 943
Year ended December 31, 2005	$ 559	$ 2,308	$ (417)	$ 2,450

(1) Represents uncollectible accounts charged against the allowance for doubtful accounts.

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As of December 29, 2007 there was $0.3 million and as of December 30, 2006 there were $1.3 million of trade notes receivable for which there was an allowance of $0.2 million and $0.4 million, respectively, included in other current assets in the accompanying consolidated balance sheet.

Warranty expense

Our Company has warranty obligations with respect to most of our manufactured products. Warranty periods, which vary by product components, range from 1 to 10 years. However, the majority of the products sold have warranties on components which range from 1 to 3 years. The reserve for warranties is based on management s assessment of the cost per service call and the number of service calls expected to be incurred to satisfy warranty obligations on recorded net sales. The reserve is determined after assessing company history and specific identification. In 2007, we refined our warranty calculation by adding certain data inputs to better reflect the decrease in sales. This change resulted in a decrease in our estimated warranty obligations as of December 29, 2007 of $0.5 million which had an approximate $0.3 million effect on net income, or $0.01 per diluted share. In 2005, the accrual for warranty increased over prior years as a result of a change in sales mix toward products that carry a higher replacement cost of materials and additional labor cost to service the product in the field. The following provides information with respect to our Company s warranty accrual.

Accrued Warranty	**Beginning of Period**	**Charged to Expense**	**Adjustments**	**Settlements**	**End of Period**
(in thousands)					
Year ended December 29, 2007	$ 4,934	$ 5,568	$ (409)	$ (5,107)	$ 4,986
Year ended December 30, 2006	$ 4,501	$ 5,581	$ 111	$ (5,259)	$ 4,934
Year ended December 31, 2005	$ 2,863	$ 5,658	$ 223	$ (4,243)	$ 4,501

Inventories

Inventories consist principally of raw materials purchased for the manufacture of our products. PGTI has limited finished goods inventory as all products are custom, made-to-order products. Finished goods inventory costs include direct materials, direct labor, and overhead. All inventories are stated at the lower of cost (first-in, first-out method) or market. The reserve for obsolescence is based on management s assessment of the amount of inventory that may become obsolete in the future and is determined through company history, specific identification and consideration of prevailing economic and industry conditions.

Inventories consist of the following:

	December 29, 2007	**December 30, 2006**
	(In thousands)	
Finished goods	$ 717	$ 1,109
Work in progress	654	880
Raw materials	8,595	10,297
Less: Reserve for obsolescence	(743)	(1,125)
	$ 9,223	$ 11,161

Reserve for Obsolescence	**Deductions(1)**

	Balance at Beginning of Period	Costs and expenses		Balance at End of Period
		(In thousands)		
Year ended December 29, 2007	$ 1,125	$ 361	$ (743)	$ 743
Year ended December 30, 2006	$ 813	$ 534	$ (222)	$ 1,125
Year ended December 31, 2005	$ 131	$ 1,930	$ (1,248)	$ 813

(1) Represents obsolete inventory charged against the reserve.

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Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Depreciable assets are assigned estimated lives as follows:

Building and improvements	5 to 40 years
Furniture and equipment	3 to 10 years
Vehicles	3 to 10 years
Computer Software	3 years

Maintenance and repair expenditures are charged to expense as incurred.

Long-lived assets

PGTI reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated, in accordance with Statements of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* If such assets are considered to be impaired, the impairment recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell, and depreciation is no longer recorded.

During 2006, we completed the relocation of our Lexington, North Carolina plant. We recorded impairment charges of $1.2 million in 2006 to adjust the carrying value of the Lexington real estate to its estimated fair value, less reasonable direct selling costs, which was included in selling, general and administrative expenses. At December 30, 2006, we classified the then carrying value of the real estate of $2.3 million at December 30, 2006 as held for sale, included within other current assets in the accompanying consolidated balance sheet as it was expected to be sold within the next fiscal year. In 2007, we recorded an additional impairment charge of $0.8 million to reflect a further decline in the market value. In December 2007, we reclassified the real estate as held and used when we made the decision to utilize the facility in order to produce a special-order product to be used in large-scale commercial projects in this facility and began depreciating the assets that comprise the Lexington real estate, the effect of which was not significant to results of operations in 2007. Their cost basis for depreciation purposes is the current carrying value of the Lexington real estate of $1.5 million, its fair value when reclassified which was lower than the initial carrying value less depreciation had it always been classified as held and used, and is classified within property, plant and equipment in the accompanying consolidated balance sheet as of December 29, 2007.

Computer software

Our Company capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and it is probable that computer software being developed will be completed and placed in service. Capitalized costs include:

(i) external direct costs of materials and services consumed in developing or obtaining computer software,

(ii) payroll and other related costs for employees who are directly associated with and who devote time to the software project, and

(iii) interest costs incurred, when material, while developing internal-use software.

Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Capitalized software as of December 29, 2007 and December 30, 2006 was $10.2 million and $7.9 million, respectively. Accumulated amortization of capitalized software was $7.9 million and $6.9 million as of December 29, 2007 and December 30, 2006, respectively.

Depreciation expense for capitalized software was $1.0 million, $2.5 million and $2.4 million for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively.

Our Company reviews the carrying value of software and development costs for impairment in accordance with its policy pertaining to the impairment of long-lived assets.

Goodwill and other intangible assets

Our Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. Other intangible assets primarily consist of trademarks and customer-related intangible assets. The useful lives of trademarks were determined to be indefinite and, therefore, these assets are not being amortized. Customer-related intangible assets are being amortized over their estimated useful lives of ten years.

Goodwill

The impairment evaluation for goodwill is conducted annually, or more frequently, if events or changes in circumstances indicate that an asset might be impaired. The annual goodwill impairment test is a two-step process. First, we determine if the carrying value of our related reporting unit exceeds fair value determined using a discounted cash flow model, which would indicate that goodwill may be impaired. Second, if we determine that goodwill may be impaired, we compare the implied fair value of the goodwill determined by allocating our reporting unit s fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets) to its carrying amount to determine if there is an impairment loss. We have one reporting unit. Our Company performs its impairment test as of the end of each fiscal year.

We performed our annual assessment of goodwill impairment as of December 29, 2007, which indicated that no impairment was present. The determination of fair value used in that assessment is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the Company. Estimated cash flows are sensitive to changes in the Florida housing market and changes in the economy among other things. Goodwill was $169.6 million as of December 29, 2007.

Other intangibles

The impairment evaluation of the carrying amount of intangible assets with indefinite lives is conducted annually or more frequently if events or changes in circumstances indicate that an asset might be impaired. The evaluation is performed by comparing the carrying amount of these assets to their estimated fair value. If the estimated fair value is less than the carrying amount of the intangible assets with indefinite lives, then an impairment charge is recorded to reduce the asset to its estimated fair value. The estimated fair value is generally determined on the basis of discounted future projected cost savings attributable to ownership of the intangible assets with indefinite lives which, for the Company, are our trademarks.

The assumptions used in the estimate of fair value are generally consistent with past performance and are also consistent with the projections and assumptions that are used in current PGTI operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. We performed our annual assessment of our trademarks, which are our only intangible assets not subject to amortization, as of December 29, 2007, which indicated that no impairment was present. The determination of fair value used in that assessment is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the Company. Estimated cash flows are sensitive to changes in the Florida housing market and changes in the economy among other things. Intangible assets not subject to amortization totaled $62.5 million as of December 29, 2007.

Deferred financing costs

Deferred financing costs are amortized using the effective interest method over the life of the debt instrument to which they relate. Unamortized deferred financing costs, included in other assets on the

accompanying consolidated balance sheets, totaled $1.2 million and $2.0 million at December 29, 2007 and December 30, 2006, respectively. Amortization of deferred financing costs is included in interest expense in the accompanying consolidated statements of operations. There was $0.7 million, $7.2 million and $1.3 million of amortization for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively. Included in amortization expense for the year ended December 29, 2007 is $0.4 million related to the prepayments of portions of our long-term debt during 2007 (Note 8). Included in amortization expense for the year ended December 30, 2006 is $4.6 million related to our February 2006 refinancing and $2.0 million related to the repayment of a portion of our long term debt in the third quarter of 2006 (Note 8). There was $10.1 million and $9.4 million in accumulated amortization related to these costs at December 29, 2007 and December 30, 2006, respectively.

Estimated amortization on deferred financing costs is as follows for future fiscal years:

	(In thousands)
2008	$ 311
2009	303
2010	299
2011	296
2012	35
Total	$ 1,244

Derivative financial instruments

Our Company utilizes certain derivative instruments, from time to time, including interest rate swaps and forward contracts to manage variability in cash flow associated with interest rates and commodity market price risk exposure in the aluminum market. While our Company does not enter into derivatives for speculative purposes, upon termination of the hedging relationship, our Company may continue to hold such derivatives and record them at their fair value, with changes recorded in other expenses (income), net, in the accompanying consolidated statements of operations.

PGTI accounts for derivative instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (SFAS No. 133). SFAS No. 133 requires our Company to recognize all of its derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship based on its effectiveness in hedging against the exposure and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, our Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge or a cash flow hedge.

Additional information with regard to accounting policies associated with derivative instruments is contained in Note 10, Derivative Financial Instruments.

Financial instruments

Our Company s financial instruments include cash, accounts receivable, and accounts payable, whose carrying amounts approximate their fair values due to their short-term nature. Additional financial instruments include the interest rate swaps, interest rate cap, and aluminum forward contracts, for which the carrying amount was determined using fair value estimates from third parties and long-term debt which approximates fair value due to its variable interest rate.

Concentrations of credit risk

Financial instruments, which potentially subject our Company to concentrations of credit risk, consist principally of cash and cash equivalents and trade accounts receivable. Accounts receivable are due primarily

from companies in the construction industry located in Florida and the eastern half of the United States. Credit is extended based on an evaluation of the customer s financial condition and credit history, and generally collateral is not required.

PGTI maintains its cash with financial institutions. The balances, at times, may exceed federally insured limits. At December 29, 2007 and December 30, 2006, our Company s balances exceeded the insured limit by approximately $20.0 million and $37.8 million, respectively.

Comprehensive income (loss)

Comprehensive income (loss) is reported on the Consolidated Statements of Shareholders Equity and accumulated other comprehensive income (loss) is reported on the Consolidated Balance Sheets.

Gains and losses on cash flow hedging derivatives, to the extent effective, are included in other comprehensive income (loss). Reclassification adjustments reflecting such gains and losses are ratably recorded in income in the same period as the hedged items affect earnings. Additional information with regard to accounting policies associated with derivative instruments is contained in Note 10, Derivative Financial Instruments.

Stock compensation

We adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment (SFAS No. 123(R)), on January 1, 2006. This statement is a fair-value based approach for measuring stock-based compensation and requires us to recognize the cost of employee and non-employee directors services received in exchange for our Company s equity instruments. Under SFAS No. 123(R), we are required to record compensation expense over an award s vesting period based on the award s fair value at the date of grant. We have adopted SFAS No. 123(R) on a prospective basis; accordingly, our financial statements for periods prior to January 1, 2006, do not include compensation cost calculated under the fair value method. Our awards vest based only on service conditions and compensation expense is recognized on a straight-line basis for each separately vesting portion of an award. We recorded compensation expense for stock based awards of $1.5 million before income tax, or $0.03 per diluted share after tax effect, in the year ended December 29, 2007 and $0.6 million before tax, or $0.02 per diluted share after-tax effect, in the year ended December 30, 2006.

Prior to January 1, 2006, our Company applied Accounting Principles Board Opinion 25, Accounting for Stock issued to Employees (APB 25), and therefore recorded the intrinsic value of stock-based compensation as expense. Under APB 25, compensation cost was recorded only to the extent that the exercise price was less than the fair value of our Company s stock on the date of grant. No compensation expense was recognized in previous financial statements under APB 25. Additionally, our Company reported the pro forma impact of using a fair value based approach to valuing stock options under the Statement of Financial Accounting Standards No. 123, *Accounting for Stock Based Compensation (SFAS No. 123)*.

Stock options granted prior to our Company s initial public offering (see Note 15) were valued using the minimum value method in the pro-forma disclosures required by SFAS No. 123. The minimum value method excludes volatility in the calculation of fair value of stock based compensation. In accordance with SFAS No. 123(R), options that were valued using the minimum value method, for purposes of pro forma disclosure under SFAS No. 123, must be transitioned to SFAS No. 123(R) using the prospective method. As a result, these options will continue to be accounted for under the same accounting principles (recognition and measurement) originally applied to those awards in the income statement, which for our Company was APB No. 25. Accordingly, the adoption of SFAS No. 123(R) did not result in any compensation cost being recognized for these options. Additionally, pro forma information previously required under SFAS No. 123 and SFAS No. 148 will no longer be presented for these options.

Income and other taxes

Our Company accounts for income taxes utilizing the liability method described in SFAS No. 109, *Accounting for Income Taxes* (SFAS No. 109). Under SFAS No. 109 deferred income taxes are recorded to

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reflect consequences on future years of differences between financial reporting and the tax basis of assets and liabilities measured using the enacted statutory tax rates and tax laws applicable to the periods in which differences are expected to affect taxable earnings. The Company adopted the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes*, on January 1, 2007. We did not recognize any material liability for unrecognized tax benefits in conjunction with our FIN 48 implementation. However, should we accrue for such liabilities when and if they arise in the future we will recognize interest and penalties associated with uncertain tax positions as part of our income tax provision.

Sales taxes collected from customers have been recorded on a net basis.

Net income (loss) per common share

Net income (loss) per common share (EPS) is calculated in accordance with SFAS No. 128, *Earnings per Share,* which requires the presentation of basic and dilutive earnings per share. Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of common stock equivalents. Our Company s weighted average shares outstanding excludes underlying options of 2.0 million, 1.8 million and 0.2 million for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively, because their effects were anti-dilutive.

The Table below presents a reconciliation of weighted average common shares, in thousands, used in the calculation of basic and diluted EPS for our Company:

		Year Ended	
(in thousands, except per share amounts)	**December 29, 2007**	**December 30, 2006**	**December 31, 2005**
Numerator:			
Net income (loss)	$ 623	$ (969)	$ 7,863
Denominator:			
Weighted-average common shares Basic	27,294	21,204	15,723
Add: Dilutive effect of stock compensation plans	1,044		1,576
Weighted-average common shares Diluted	28,338	21,204	17,299
Net income (loss) per common share:			
Basic	$ 0.02	$ (0.05)	$ 0.50
Diluted	$ 0.02	$ (0.05)	$ 0.45

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Recently Issued Accounting Pronouncements

Statement of Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS No. 141R) was issued in December 2007. SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS No. 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for the Company in its fiscal year beginning January 1, 2009. The Company will apply the provisions of SFAS No. 141R to future acquisitions, if any.

Statement of Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS No. 160) was issued in December 31, 2007. SFAS No. 160

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establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for the Company in fiscal years beginning January 1, 2009. The adoption of SFAS No. 160 is not currently expected to have a material impact on the Company s consolidated financial statements.

Emerging Issues Task Force issue 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Award,* (Issue 06-11) was issued in June 2007. Issue 06-11 applies to share-based payment arrangements with dividend protection features that entitle employees to receive (a) dividends on equity-classified nonvested shares, (b) dividend equivalents on equity-classified nonvested share units, or (c) payments equal to the dividends paid on the underlying shares while an equity-classified share option is outstanding, when those dividends or dividend equivalents are charged to retained earnings under Statement of Accounting Standards No. 123 (revised 2004), *Share-Based Payments* (SFAS No. 123R) and result in an income tax deduction for the employer. The Task Force reached a consensus that a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity classified nonvested equity shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase to additional paid-in capital. The amount recognized in additional paid-in capital for the realized income tax benefit from dividends on those awards should be included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards (as described in Statement 123(R)). The consensus in Issue 06-11 is effective for the Company for income tax benefits that result from dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning January 1, 2008. The Company will apply the provisions of Issue 06-11 to future share-based payment awards, if any, should they contain dividend protection features.

Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115* (SFAS No. 159) was issued in February 2007 and will become effective for the Company on January 1, 2008. SFAS No. 159 permits entities the option to measure many financial instruments and certain other items at fair value. Unrealized gains and losses in respect of assets and liabilities for which the fair value option has been elected will be reported in earnings. Selection of the fair value option is irrevocable and can be applied on a partial basis, i.e., to some but not all similar financial assets or liabilities. The Company is still evaluating its election options under SFAS No. 159 for any of its financial assets and liabilities for which SFAS No. 159 allows such an election to be made.

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157) was issued in September 2006 to increase consistency and comparability in fair value measurements and to expand their disclosures. The new standard includes a definition of fair value as well as a framework for measuring fair value. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 is effective with fiscal years beginning after November 15, 2007 and should be applied prospectively, except for certain financial instruments where it must be applied retrospectively as a cumulative-effect adjustment to the balance of opening retained earnings in the year of adoption. In November 2007, the FASB agreed to a one-year deferral of SFAS No. 157 s fair-value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. The FASB also intends to clarify disclosure requirements about the fair-value measurements of pension plan assets by plan sponsors and will develop additional guidance on how SFAS No. 157 applies to measurements of liabilities. The Company is currently evaluating if the adoption of SFAS No. 157 will have a material impact on its financial statements.

4. Restructuring

On October 25, 2007, we announced a restructuring of the Company as a result of an in-depth analysis of the Company s target markets, internal structure, projected run-rate, and efficiency. The restructuring resulted in

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a decrease in indirect workforce (overhead) of approximately 17%, which equated to approximately 8% of the Company s then overall employee population, and included employees at both its Venice, Florida and Salisbury, North Carolina locations. The Company believes this restructuring is essential to streamline operations, as well as improve processes to drive new product development and sales. As a result of the restructuring, the Company recorded a restructuring charge of $2.4 million in the fourth quarter of 2007 of which $0.7 million is classified within cost of goods sold in the accompanying statement of operations for the year ended December 29, 2007. The charge related primarily to employee separation costs. Of the $2.4 million charge, $1.5 million of cash had been disbursed as of December 29, 2007. The remaining $0.9 million is classified within accrued liabilities in the accompanying consolidated balance sheet as of December 29, 2007 (Note 7) and is expected to be disbursed in 2008.

5. Property, Plant and Equipment

The following table presents the composition of property, plant and equipment as of:

	December 29, 2007	December 30, 2006
	(In thousands)	
Land	$ 4,029	$ 3,604
Buildings and improvements	48,132	44,136
Machinery and equipment	41,275	34,023
Vehicles	5,334	4,786
Software	10,205	7,942
Construction in progress	3,122	6,322
	112,097	100,813
Less accumulated depreciation	(31,913)	(22,011)
	$ 80,184	$ 78,802

6. Goodwill and Other Intangible Assets

Goodwill and other intangible assets are as follows as of:

	December 29, 2007	December 30, 2006	Useful Life (in years)
	(in thousands)		
Goodwill	$ 169,648	$ 169,648	indefinite
Other intangible assets:			
Trademarks	$ 62,500	$ 62,500	indefinite
Customer relationships	55,700	55,700	10
Less: Accumulated amortization	(21,852)	(16,282)	
Subtotal	33,848	39,418	
Other intangible assets, net	$ 96,348	$ 101,918	

The trademarks purchased by our Company during the PGT Holding Company acquisition included PGT/*Visibly Better, WinGuard, Eze-Breeze* and *NatureScape* . As a result of declining margins and a shift in our manufacturing focus, our Company made the decision to sell the *NatureScape* product line during the fourth quarter of 2005. The sale, which closed on February 20, 2006, included the sale of the trademark.

Accordingly, the trademark, which was recorded at $7.3 million at January 1, 2005, was written down to its net realizable value of $100,000 at December 31, 2005.

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There were no changes in the net carrying amount of goodwill for the years ended December 29, 2007, December 30, 2006 and December 31, 2005. The amount of goodwill deductible for tax purposes is $80.3 million.

Estimated amortization on intangible assets is as follows for future fiscal years:

	(In thousands)
2008	$ 5,570
2009	5,570
2010	5,570
2011	5,570
2012	5,570
Thereafter	5,998
Total	$ 33,848

7. Accrued Liabilities

Accrued liabilities consisted of the following:

	December 29, 2007	December 30, 2006
	(In thousands)	
Accrued warranty	$ 3,376	$ 3,571
Accrued interest	490	1,615
Accrued payroll and benefits	3,686	5,653
Accrued restructuring costs	850	
Fair value of derivative financial instruments	730	87
Accrued health claims insurance payable	995	1,669
Other	1,378	2,436
	$ 11,505	$ 15,031

Other accrued liabilities are comprised primarily of unearned revenue related to customer deposits and non-income tax accruals, primarily payroll and state sales tax.

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8. Long-Term Debt

Long-term debt consists of the following:

	December 29, 2007	December 30, 2006
	(In thousands)	
Tranche A2 term note payable to a bank in quarterly installments of $420,019 beginning November 14, 2007 through November 14, 2011. A lump sum payment of $158.3 million is due on February 14, 2012. Interest is payable quarterly at LIBOR or the prime rate plus an applicable margin. At December 30, 2006, the rate was 5.38% plus a margin of 3.00%.	$	$ 165,488
Tranche A2 term note payable to a bank in quarterly installments of $331,633 beginning November 14, 2008 through November 14, 2011. A lump sum payment of $125.7 million is due on February 14, 2012. Interest is payable quarterly at LIBOR or the prime rate plus an applicable margin. At December 29, 2007, the average rate was 5.38% plus a margin of 3.00%.	130,000	
	130,000	165,488
Less current portion of long-term debt	(332)	(420)
	$ 129,668	$ 165,068

On September 19, 2005, our Company amended and restated its prior credit agreement with a bank. In connection with the amendment, our Company created a new tranche of term loans with an aggregate principal amount of $190.0 million. The proceeds were used to refinance the existing Tranche A and B debt, fund a $20 million dividend to our stockholders, and pay certain financing costs related to the amendment. These term loans were paid off with the proceeds from the debt entered into on February 14, 2006, as further discussed below.

On February 14, 2006, our Company entered into a second amended and restated $235 million senior secured credit facility and a $115 million second lien term loan due August 14, 2012, with a syndicate of banks. The senior secured credit facility is composed of a $30 million revolving credit facility and, initially, a $205 million first lien term loan. As of December 29, 2007 there was $25.3 million available under the revolving credit facility.

The first lien term loan bears interest at a rate equal to an adjusted LIBOR rate plus 3.0% per annum or a base rate plus 2.0% per annum, at our option. The loans under the revolving credit facility bear interest initially, at our option (provided, that all swingline loans shall be base rate loans), at a rate equal to an adjusted LIBOR rate plus 2.75% per annum or a base rate plus 1.75% per annum, and the margins above LIBOR and base rate may decline to 2.00% for LIBOR loans and 1.00% for base rate loans if certain leverage ratios are met. A commitment fee equal to 0.50% per annum accrues on the average daily unused amount of the commitment of each lender under the revolving credit facility and such fee is payable quarterly in arrears. We are also required to pay certain other fees with respect to the senior secured credit facility including (i) letter of credit fees on the aggregate undrawn amount of outstanding letters of credit plus the aggregate principal amount of all letter of credit reimbursement obligations, (ii) a fronting fee to the letter of credit issuing bank and (iii) administrative fees.

The first lien term loan is secured by a perfected first priority pledge of all of the equity interests of our subsidiary and perfected first priority security interests in and mortgages on substantially all of our tangible and intangible assets and those of the guarantors, except, in the case of the stock of a foreign subsidiary, to the extent such pledge would be prohibited by applicable law or would result in materially adverse tax consequences, and

subject to such other exceptions as are agreed. The senior secured credit facility contains a number of covenants that, among other things, restrict our ability and the ability of our subsidiaries to (i) dispose of assets; (ii) change our business; (iii) engage in mergers or consolidations; (iv) make certain acquisitions; (v) pay dividends or repurchase or redeem stock; (vi) incur indebtedness or guarantee obligations and issue preferred and other disqualified stock; (vii) make investments and loans; (viii) incur liens; (ix) engage in certain transactions with affiliates; (x) enter into sale and leaseback transactions; (xi) issue stock or stock options under certain conditions; (xii) amend or prepay subordinated indebtedness and loans under the second lien secured credit facility; (xiii) modify or waive material documents; or (xiv) change our fiscal year. In addition, under the senior secured credit facility, we are required to comply with specified financial ratios and tests, including a minimum interest coverage ratio, a maximum leverage ratio, and maximum capital expenditures.

Borrowings under the new senior secured credit facility and second lien secured credit facility were used to refinance our Company s existing debt facility, pay a cash dividend to stockholders of $83.5 million, and make a cash payment of approximately $26.9 million (including applicable payroll taxes of $0.5 million) to stock option holders in connection with such dividend. Approximately $5.1 million of the cash payment to stock option holders was paid to employees whose other compensation is a component of cost of sales. In connection with the refinancing, our Company incurred fees and expenses aggregating $4.5 million that are included as a component of other assets, net and amortized over the terms of the new senior secured credit facility. In the first quarter of 2006, the total cash payment to stock option holders and unamortized deferred financing costs of $4.6 million related to the prior credit facility were expensed and recorded as stock compensation expense and a component of interest expense, respectively.

Contractual future maturities of long-term debt outstanding as of December 29, 2007 are as follows (in thousands):

2008	$ 332
2009	1,327
2010	1,327
2011	1,327
2012	125,687
Total	$ 130,000

During the third quarter of 2006, we repaid $154.0 million of long term debt, including full repayment of the $115 million second lien term note, through the use of the proceeds generated from our IPO and cash on hand. In connection with this repayment, we incurred $2.3 million in prepayment penalties and expensed $2.0 million of unamortized deferred financing costs recorded in interest expense in the consolidated statement of operations for the year ended December 30, 2006. The Company made additional prepayments during 2007 totaling $35.5 million, including $20.0 million in February 2007, $5.0 million in June 2007, $4.5 million in July 2007 and $6.0 million in September 2007. In connection with these prepayments, we expensed a total of $0.4 million of unamortized deferred financing costs recorded in interest expense in the consolidated statement of operations for the year ended December 29, 2007. These prepayments had the effect of reducing our mandatory principal payments on our first lien term loan from $1.7 million to $0.3 million in 2008, from $1.7 million to $1.3 million in 2009 through 2011, and the final lump sum payment due in 2012 from $158.3 million to $125.7 million.

On an annual basis, our Company is required to compute excess cash flow, as defined in our credit and security agreement with the bank. In periods where there is excess cash flow, our Company is required to make prepayments in an aggregate principal amount determined through reference to a grid based on the leverage ratio. No such prepayments were required for the year ended December 29, 2007. The term note and line of credit require that our Company also maintain compliance with certain restrictive financial covenants, the most restrictive of which requires our Company to maintain a total leverage ratio, as defined in the debt agreement, of not greater than certain predetermined amounts. Failure of our Company to comply with any restrictive covenant

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gives the bank the right to accelerate the repayment of the term note and line of credit. Our Company believes that we are in compliance with all restrictive financial covenants.

9. Interest Expense

Interest expense, net consisted of the following (in thousands):

	Year Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
Long-term debt	$ 11,291	$ 22,141	$ 12,495
Debt fees	425	781	397
Amortization of deferred financing costs	724	7,205	1,285
Short-term debt			120
Interest income	(807)	(1,054)	(122)
Interest expense	11,633	29,073	14,175
Capitalized interest	(229)	(564)	(304)
Interest expense, net	$ 11,404	$ 28,509	$ 13,871

10. Derivative Financial Instruments

On October 29, 2004, our Company entered into a three-year interest rate swap agreement with a notional amount of $33.5 million that was designated as a cash flow hedge and effectively converted a portion of the floating rate debt to a fixed rate of 3.53%. Since all of the critical terms of the swap exactly matched those of the hedged debt, no ineffectiveness was identified in the hedging relationship. Consequently, all changes in fair value were recorded as a component of other comprehensive income. Our Company periodically determined the effectiveness of the swap by determining that the critical terms still matched, determining that the future interest payments were still probable of occurrence, and evaluating the likelihood of the counterparty s compliance with the terms of the swap. The fair value of the interest rate swap agreement of $0.6 million as of December 30, 2006, recorded in other assets in the accompanying consolidated balance sheet as of December 30, 2006, was recognized as other expense in the accompanying consolidated statement of operations in 2007.

Also on October 29, 2004, our Company entered into a three-year interest rate cap agreement with a notional amount of $33.5 million that protected an additional portion of the variable rate debt from an increase in the floating rate to greater than 4.5%. Our Company designated the cap as a cash flow hedge since changes in the intrinsic value of the cap were expected to be highly effective in offsetting the changes in cash flow attributable to fluctuations in interest rates. The time value of the cap was considered inherently ineffective and changes in its value were recorded in other (income) expense, net, as they occurred. Changes in the intrinsic value of the cap were not significant in 2006 and 2005. The fair value of the interest rate cap agreement of $0.3 million as of December 30, 2006, recorded in other assets in the accompanying consolidated balance sheet as of December 30, 2006, was recognized as other expense in the accompanying consolidated statement of operations in 2007.

On September 19, 2005, the hedging relationships involving the interest rate swap and cap agreements were terminated as a result of changes made to the terms of the credit agreement. Accordingly, the changes in fair value of the swap and cap from that point are recorded in other (income) expense, net, and the accumulated balance for the interest rate swap agreement included in other comprehensive income at the time of ineffectiveness of $0.7 million was being amortized into earnings over the remaining life of the agreement. At December 30, 2006, there was $0.2 million remaining to be amortized, in accumulated other comprehensive income, which was recognized as other income in the accompanying consolidated statement of operations in 2007. The interest rate swap and cap agreements expired in October 2007.

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On April 14, 2006, our Company entered into a two-year interest rate swap agreement with a notional amount of $61.0 million that was designated as a cash flow hedge and effectively converted a portion of the floating rate debt to a fixed rate of 5.345%. Since all of the critical terms of the swap exactly matched those of the hedged debt, no ineffectiveness was identified in the hedging relationship. Consequently, all changes in fair value are recorded as a component of other comprehensive income. Our Company periodically determines the effectiveness of the swap by determining that the critical terms still match, determining that the future interest payments are still probable of occurrence, and evaluating the likelihood of the counterparty s compliance with the terms of the swap. The fair value of the interest rate swap agreement was $0.1 million as of December 29, 2007 and December 30, 2006, and is recorded in accrued liabilities in the accompanying consolidated balance sheets as of those dates.

Our Company enters into aluminum forward contracts to hedge the fluctuations in the purchase price of aluminum extrusion it uses in production. At December 29, 2007, we had 22 outstanding forward contracts for the purchase of 5.4 million pounds of aluminum at an average price of $1.22 per pound with maturity dates of between one month and eight months through August 2008. These contracts are designated as cash flow hedges since they are highly effective in offsetting changes in the cash flows attributable to forecasted purchases of aluminum. These aluminum hedges had a fair value of $0.7 million at December 29, 2007, classified within accrued liabilities in the accompanying consolidated balance sheet. Our overall aluminum hedge program qualifies as highly effective for reporting purposes. Effectiveness of aluminum forward contracts is determined by comparing the change in the fair value of the forward contract to the change in the expected cash to be paid for the hedged item. During the years ended December 29, 2007, December 30, 2006 and December 31, 2005 the ineffective portion of the hedging instruments was not significant. The ending accumulated balance for the aluminum forward contracts included in accumulated other comprehensive income, net of tax, is $0.4 million as of December 29, 2007, all of which is expected to be reclassified to earnings in 2008.

11. Income Taxes

Deferred income taxes reflect the net tax effects of temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our Company s net deferred tax liability are as follows as of:

	December 29, 2007	December 30, 2006
	(In thousands)	
Deferred tax assets:		
Accrued warranty	$ 1,944	$ 1,924
Allowance for doubtful accounts	579	1,089
State tax credits	232	175
Other accruals	1,396	1,536
Reserve for obsolescence	829	834
State net operating loss carryforwards	423	449
Derivative financial instruments	285	
Compensation expense	745	231
Total deferred tax assets	6,433	6,238
Deferred tax liabilities:		
Intangible assets	(45,731)	(45,813)
Property, plant and equipment	(5,946)	(7,314)
Derivative financial instruments		(297)
Total deferred tax liabilities	(51,677)	(53,424)
Net deferred tax liability	$ (45,244)	$ (47,186)

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The components of income tax expense (benefit) are as follows (in thousands):

	Year Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
Current:			
Federal	$ 1,729	$ (3,604)	$ 7,497
State	150	(10)	1,391
	1,879	(3,614)	8,888
Deferred:			
Federal	(1,337)	3,157	(3,817)
State	(86)	558	(1,161)
	(1,423)	3,715	(4,978)
Income tax expense	$ 456	$ 101	$ 3,910

A reconciliation of the statutory federal income tax rate to our Company s effective rate is provided below:

	Year Ended		
	December 29, 2007	December 30, 2006	December 31, 2005
Statutory federal income tax rate	35.0%	(35.0)%	35.0%
State income taxes, net of federal income tax benefit	4.0	(4.0)	4.0
Non-deductible expenses	7.1	7.6	0.4
State tax credits	(4.9)	48.7	(4.8)
Manufacturing deduction	(1.5)		(2.2)
Other	2.6	(5.7)	0.8
	42.3%	11.6%	33.2%

Our effective combined federal and state tax rate was 42.3%, 11.6% and 33.2% for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively. The 11.6% effective tax rate on a loss of $0.9 million in the year ended December 30, 2006 resulted from a change in the recognition of state tax credits in North Carolina. These credits are now recognized in the year in which they are made available for deduction. Previously, we recognized these credits in the year in which they were generated. This change resulted in an unfavorable adjustment to our tax expense of $0.4 million. Without this adjustment our tax rate would have been a benefit of 37.0% for 2006.

Our Company has $10.5 million of state operating loss carryforwards expiring at various dates through 2026.

In assessing the realizability of deferred tax assets, our Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Our Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. After consideration of all the evidence, both positive and negative, our Company has determined that a valuation allowance is not necessary.

The Company adopted the provisions of FIN 48 on January 1, 2007. We did not recognize any material liability for unrecognized tax benefits in conjunction with our FIN 48 implementation and there were no changes to our unrecognized tax benefits during the current year. However, should we accrue for such liabilities when and if they arise in the future we will recognize interest and penalties associated with uncertain tax positions as part of our income tax provision.

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12. Commitments and Contingencies

Our Company leases production equipment, vehicles, computer equipment, storage units and office equipment under operating leases expiring at various times through 2014. Lease expense was $3.3 million, $3.0 million and $2.3 million for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively. Future minimum lease commitments for non-cancelable operating leases are as follows at December 29, 2007 (in thousands):

2008	$ 2,212
2009	1,152
2010	750
2011	349
Thereafter	318
Total	$ 4,781

Our Company, through the terms of certain of its leases, has the option to purchase the leased equipment for cash in an amount equal to its then fair market value plus all applicable taxes.

Our Company is obligated to purchase certain raw materials used in the production of our products from certain suppliers pursuant to stocking programs. If these programs were cancelled by our Company, we would be required to pay $2.5 million for various materials. During the years ended December 29, 2007, December 30, 2006 and December 31, 2005, we made purchases under these programs totaling $92.1 million, $127.7 million and $120.3 million, respectively.

At December 29, 2007, our Company had $4.7 million in standby letters of credit related to its worker s compensation insurance coverage and commitments to purchase equipment of $0.5 million.

Our Company is a party to various legal proceedings in the ordinary course of business. Although the ultimate disposition of those proceedings cannot be predicted with certainty, management believes the outcome of any claim that is pending or threatened, either individually or on a combined basis, will not have a materially adverse effect on the operations, financial position or cash flows of our Company.

13. Employee Benefit Plan

Our Company has a 401(k) plan covering substantially all employees 18 years of age or older who have at least three months of service. Employees may contribute up to 100% of their annual compensation subject to Internal Revenue Code maximum limitations. Through the end of 2007, our Company agreed to make matching contributions of 100% of the employee s contribution up to 3% of the employee s salary. Effective the first day of the Company s 2008 fiscal year, the Company suspended the matching contributions portion of the 401(k) plan. Company contributions and earnings thereon vest at the rate of 20% per year of service with our Company when at least 1,000 hours are worked within the Plan year. Our Company recognized expense of $1.9 million, $1.9 million and $1.7 million in the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively.

14. Related Parties

Prior to our Initial Public Offering, the Company paid a management fee to JLL Partners, Inc., which is related to our Company s majority shareholder, JLL Partners Fund IV L.P., of approximately $1.4 million and $1.8 million for the years ended December 30, 2006 and December 31, 2005, respectively. These amounts are recorded in selling, general, and administrative expenses in the accompanying consolidated statements of operations. Effective on the date of the Initial Public Offering, the management fee was terminated.

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In the ordinary course of business, we sell windows to Builders FirstSource, Inc., a company controlled by affiliates of JLL Partners, Inc. One of our directors, Floyd F. Sherman, is the president, chief executive officer, and a director of Builders FirstSource, Inc. In addition, Ramsey A. Frank, Brett N. Milgrim, and Paul S. Levy are directors of Builders FirstSource, Inc. Total net sales to Builders FirstSource, Inc. were $2.7 million, $4.7 million and $2.6 million in the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively. As of December 29, 2007 and December 30, 2006 there was $0.3 million due from Builders FirstSource, Inc. included in accounts receivable in the accompanying consolidated balance sheets.

15. Shareholders Equity

Initial Public Offering

On June 27, 2006, the SEC declared our Company s registration statement on Form S-1 effective, and our Company completed an initial public offering (IPO) of 8,823,529 shares of its common stock at a price of $14.00 per share. Our Company s common stock began trading on The Nasdaq National Market under the symbol PGTI on June 28, 2006. After underwriting discounts of approximately $8.6 million and estimated transaction costs of approximately $2.5 million, net proceeds received by the Company on July 3, 2006, were $112.3 million. Our Company used net IPO proceeds, together with cash on hand, to repay $137.0 million of borrowings under our senior secured credit facilities.

Our Company granted the underwriters an option to purchase up to an additional 1,323,529 shares of common stock at the IPO price, which the underwriters exercised in full on July 27, 2006. After underwriting discounts of approximately $1.3 million, aggregate net proceeds received by the Company on August 1, 2006 were $17.2 million of which $17.0 million was used to repay a portion of our outstanding debt.

In conjunction with the IPO, our Company s stockholders approved an amendment and restatement of the Company s certificate of incorporation which increased the number of authorized shares of preferred stock, par value $0.01 per share, from zero to 10.0 million and maintained the number of authorized shares of common stock, par value $0.01 per share, of 200.0 million.

Stock Split

On June 5, 2006, our board of directors and our stockholders approved a 662.07889-for-1 stock split of our common stock and approved increasing the number of shares of common stock that the Company is authorized to issue to 200.0 million.

After the stock split, effective June 6, 2006, each holder of record held 662.07889 shares of common stock for every 1 share held immediately prior to the effective date. As a result of the stock split, the board of directors also exercised its discretion under the anti-dilution provisions of our 2004 Stock Incentive Plan to adjust the number of shares underlying stock options and the related exercise prices to reflect the change in the per share value and outstanding shares on the date of the stock split. The effect of fractional shares is not material.

Following the effective date of the stock split, the par value of the common stock remained at $0.01 per share. As a result, we have increased the common stock in our consolidated balance sheets and statements of shareholders equity included herein on a retroactive basis for all of our Company s periods presented, with a corresponding decrease to additional paid-in capital. All share and per share amounts and related disclosures have also been retroactively adjusted for all of our Company s periods presented to reflect the 662.07889-for-1 stock split.

Special Cash Dividends

In February 2006, our Company paid a special cash dividend to our stockholders of $83.5 million, or $5.30 per share. In connection with the payment of this dividend, our Company also made a compensatory cash

payment of $26.9 million to stock option holders (including applicable payroll taxes of $0.5 million) in-lieu of adjusting exercise prices that was recorded as stock compensation expense in the accompanying consolidated statement of operations for the year ended December 30, 2006.

In September 2005, our Company paid a special cash dividend to our stockholders of $20.0 million, or $1.27 per share. In connection with the payment of this dividend, our Company also made a compensatory cash payment of $6.6 million to stock option holders (including applicable payroll taxes of $0.2 million) in-lieu of adjusting exercise prices that was recorded as stock compensation expense in the accompanying consolidated statement of operations for the year ended December 31, 2005.

16. Employee Stock Based Compensation

On January 29, 2004, our Company adopted the JLL Window Holdings, Inc. 2004 Stock Incentive Plan (the 2004 Plan), whereby stock-based awards may be granted by the Board of Directors (the Board) to officers, key employees, consultants and advisers of our Company.

In conjunction with the acquisition of PGT Holding Company, our Company rolled over 2.9 million option shares belonging to option holders of the acquired entity. These options have a ten year term and are fully vested. Of these options, 1.1 million have an exercise price of $0.38 per share, and 1.8 million have an exercise price of $1.51 per share.

Also in conjunction with the acquisition, our Company granted 1.6 million option shares to key employees. These options have a ten-year life, fully vest after five years and have an accelerated vesting based on achievement of certain financial targets over three years, with an exercise price of $8.64 per share. On July 5, 2005, and November 30, 2005, our Company granted to key employees 0.5 million and 0.2 million option shares, respectively. These options have a ten-year life, fully vest after five years, and have accelerated vesting based on certain financial targets over three years, with an exercise price of $8.64 and $12.84 per share, respectively. There were 36,413 shares of restricted stock granted under the 2004 Plan during 2006. There were 137,095 shares available for grant under the 2004 Plan at December 30, 2006. No options or restricted share awards were granted under the 2004 Plan during 2007. There were 332,275 shares available for grant under the 2004 Plan at December 29, 2007.

On June 5, 2006, our Company adopted the 2006 Equity Incentive Plan (the 2006 Plan) whereby equity-based awards may be granted by the Board to eligible non-employee directors, selected officers and other employees, advisors and consultants of our Company. There were 172,138 options and 42,623 shares of restricted stock granted under the 2006 Plan during 2006. There were 2,785,239 shares available for grant under the 2006 Plan at December 30, 2006. There were 161,071 options and 46,503 restricted shares granted under the 2006 Plan during 2007. There were 2,622,125 shares available for grant under the 2006 Plan at December 29, 2007.

The compensation cost that was charged against income for stock compensation plans was $1.5 million in 2007 and $0.6 million for 2006 and is included in selling, general and administrative expenses in the accompanying consolidated statements of operations. The total income tax benefit recognized for share-based compensation arrangements was $0.6 million in 2007 and $0.2 million in 2006. We currently expect to satisfy share-based awards with registered shares available to be issued.

The fair value of each stock option grant was estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions used for grants under the 2006 Plan in the following years:

2007: dividend yield of 0%, expected volatility of 36.0%, risk-free interest rate of 4.7%, and expected life of 5 years.

2006: dividend yield of 0%, expected volatility of 44.3%, risk-free interest rate of 5.2%, and expected life of 7 years.

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The expected term of options granted represents the period of time that options granted are expected to be outstanding and was determined by calculating the midpoint between the date of full vesting and the contractual life. Volatility is based on the average historical volatility of a peer group of nine public companies over the past seven years, which were selected on the basis of operational and economic similarity with the principal business operations of our Company. The risk-free rate for periods within the contractual term of the options is based on the U.S. Treasury yield curve with a maturity equal to the life of the option in effect at the time of grant.

Stock Options

A summary of the status of our Company s stock options as of December 29, 2007, and the changes during 2007 and 2006 is presented below:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2005	4,982,283	$ 4.43
Granted	172,138	$ 14.00
Exercised	(1,102,511)	$ 1.19
Forfeited/Expired	(43,746)	$ 8.64
Outstanding at December 30, 2006	4,008,164	$ 5.69
Granted	161,071	$ 12.65
Exercised	(609,837)	$ 3.16
Forfeited/Expired	(237,257)	$ 9.53
Outstanding at December 29, 2007	3,322,141	$ 6.21
Exercisable at December 29, 2007	2,319,449	$ 4.51
Exercisable at December 30, 2006	2,481,947	$ 3.25

The following table summarizes information about employee stock options outstanding at December 29, 2007 (dollars in thousands, except per share amounts):

Exercise Price	Remaining Contractual Life	Outstanding	Outstanding Intrinsic Value	Exercisable	Exercisable Intrinsic Value
$ 0.38	6.1 Years	530,013	$ 2,359	530,013	$ 2,359
$ 1.51	6.1 Years	815,742	2,708	815,742	2,708
$ 8.64	6.4 Years	1,501,198		842,691	
$12.84	7.9 Years	184,057		73,622	
$14.00	8.5 Years	141,242		57,381	
$12.77	9.2 Years	132,748			
$12.80	9.2 Years	9,423			
$10.15	9.6 Years	7,718			
		3,322,141	$ 5,067	2,319,449	$ 5,067

The weighted-average fair value of options granted during the fiscal years ended December 29, 2007 and December 30, 2006 was $5.00 and $6.61, respectively. The aggregate intrinsic value of options outstanding and of options exercisable as of December 29, 2007 was $5.1 million and $5.1 million, respectively. The aggregate intrinsic value of options outstanding and of options exercisable as of December 30, 2006 was $27.8 million and $23.3 million, respectively. The total fair value of options vested during the fiscal years ended December 29, 2007 and December 30, 2006 was $0.4 million and $0.3 million, respectively.

For the fiscal year ended December 29, 2007, we received $1.9 million in proceeds from the exercise of 609,837 stock options for which the tax benefit realized was $1.8 million. The aggregate intrinsic value of stock

options exercised during the fiscal years ended December 29, 2007 was $4.5 million. For the fiscal year ended December 30, 2006, we received $1.3 million in proceeds from the exercise of 1,102,510 stock options for which the tax benefit realized was $5.4 million. The aggregate intrinsic value of stock options exercised during the fiscal years ended December 30, 2006 was $12.6 million. There were no options exercised during the fiscal year ended December 31, 2005.

As of December 29, 2007, there was $0.5 million of total unrecognized compensation cost related to non-vested stock option compensation arrangements granted which is expected to be recognized in earnings straight-line over a weighted-average period of 1.7 years.

The Repricing

On March 6, 2008, the board of directors of the Company approved, subject to the approval of the Company s stockholders, the cancellation and termination of the option agreements (collectively, the Current Option Agreements) of certain employees of the Company, including Jeffrey T. Jackson, Chief Financial Officer and Treasurer of the Company, and Mario Ferrucci III, Vice President, Corporate Counsel, and Secretary of the Company (collectively, the Designated Employees), and the grant of replacement options under the Company s 2006 Equity Incentive Plan, in each case to be entered into by the Company and each such Designated Employee pursuant to a PGT, Inc. 2006 Equity Incentive Plan Replacement Non-Qualified Stock Option Agreement (the Replacement Option Agreement).

The board of directors of the Company determined that, as a result of economic conditions that have adversely affected the Company and the industry in which the Company competes, the options held by the Designated Employees had exercise prices that were significantly above the current market price of the Company s common stock and that the grants of replacement options would help the Company to retain and provide additional incentive to such Designated Employees and align their interests with those of the Company s stockholders.

Pursuant to the terms of the Replacement Option Agreement executed on March 6, 2008, by each of the Designated Employees, the grant of replacement options is conditioned upon the approval of the Company s stockholders at a duly called annual or special meeting. If the grant of replacement options and the cancellation and termination of the Current Option Agreements fail to be approved by the Company s stockholders on or prior to September 30, 2008, the Replacement Option Agreements will automatically expire without further action of the parties and become null and void, and the Current Option Agreements will be reinstated and continue in full force and effect.

The replacement options have an exercise price of $3.09 per share, which is the closing price on the NASDAQ Global Market of the Company s common stock on March 5, 2008, the day before the date on which the board of directors of the Company granted the replacement options and the Designated Employees executed the Replacement Option Agreements. The replacement options are exercisable with respect to one third of the shares (rounded to the nearest whole share) on each of the first, second, and third anniversaries of March 6, 2008. The replacement options expire on March 6, 2015.

Mr. Jackson was granted an option to purchase an aggregate of 152,675 shares of the Company s common stock at an exercise price of $3.09 per share. In connection therewith, Mr. Jackson s option to purchase 115,863 shares of the Company s common stock at an exercise price of $12.84 per share and his option to purchase 36,812 shares of the Company s common stock at an exercise price of $12.77 per share were cancelled and terminated, subject to approval of the Company s stockholders.

Mr. Ferrucci was granted an option to purchase an aggregate of 53,984 shares of the Company s common stock at an exercise price of $3.09 per share. In connection therewith, Mr. Ferrucci s option to purchase 36,414 shares of the Company s common stock at an exercise price of $14.00 per share and his option to purchase 17,570 shares of the Company s common stock at an exercise price of $12.77 per share were cancelled and terminated, subject to approval of the Company s stockholders.

Non-Vested Restricted Share Awards

On June 27, 2006, our Company granted non-vested restricted stock to three employees and three directors. The directors awards vest in equal annual installments over three years and the employees awards fully vest in three years, each assuming continued service to the Company. The fair market value of the award at the time of the grant is amortized as expense over the period of vesting. Recipients of restricted shares possess all incidents of ownership of such restricted shares, including the right to receive dividends with respect to such shares and the right to vote such shares. The fair value of restricted share awards is determined based on the market value of our Company s shares on the grant date. During the year ended December 30, 2006, we granted 79,036 share awards (of which 33,623 shares were granted to non-employee directors) at a weighted average fair value of $14.01 per share. During the year ended December 29, 2007, we granted 46,503 restricted share awards (of which 11,823 shares were granted to a non-employee director) at a weighted average fair value of $11.99 per share.

A summary of the status of non-vested restricted share awards as of December 29, 2007 and changes during the year then ended are presented below:

	Number of Shares	Weighted Average Fair Value
Outstanding at December 30, 2006	79,036	$ 14.01
Granted	46,503	$ 11.99
Vested	(11,208)	$ 14.34
Forfeited/Expired	(2,382)	$ 12.77
Outstanding at December 29, 2007	111,949	$ 13.16

As of December 29, 2007, there was $0.8 million of total unrecognized compensation cost related to non-vested restricted share awards. That cost is expected to be recognized in earnings straight-line over a weighted average period of 1.9 years.

17. Sales by Product Group

Sales by product group are as follows:

		Year Ended	
(dollars in millions)	December 29, 2007	December 30, 2006	December 31, 2005
Product category:			
WinGuard Windows and Doors	$ 189.7	$ 241.1	$ 186.2
Other Window and Door Products	88.7	130.5	146.6
Total net sales	$ 278.4	$ 371.6	$ 332.8

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18. Unaudited Quarterly Financial Data

The following tables summarize the consolidated quarterly results of operations for 2007 and 2006 (in thousands, except per share amounts):

	2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales (as adjusted)	$ 72,602	$ 79,403	$ 72,054	$ 54,335
Net sales (previously reported)	72,675	79,707	72,229	N/A
Gross profit	24,699	28,719	22,877	14,710
Net income (loss)	801	2,785	1,069	(4,032)
Net income (loss) per share basic	$ 0.03	$ 0.10	$ 0.04	$ (0.15)
Net income (loss) per share diluted	$ 0.03	$ 0.10	$ 0.04	$ (0.15)
Items included in the determination of net income (loss) that may affect comparability, before tax effect:				
Impairment charge	$	$ (826)	$	$
Restructuring charge				(2,375)

	2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 96,355	$ 108,689	$ 98,324	$ 68,230
Gross profit	35,721	47,110	39,235	19,665
Net income (loss)	(14,076)	10,024	5,074	(1,991)
Net income (loss) per share basic	$ (0.89)	$ 0.62	$ 0.20	$ (0.07)
Net income (loss) per share diluted	$ (0.89)	$ 0.55	$ 0.18	$ (0.07)
Items included in the determination of net income (loss) that may affect comparability, before tax effect:				
Stock compensation expense related to dividends paid	$ (26,898)	$	$	$
Write-off of unamortized debt issuance costs	(4,617)		(2,009)	
Management fee	(461)	(973)		
Debt prepayment penalty			(2,300)	
Impairment charge				(1,151)

Net sales for the first, second and third quarters of 2007, as adjusted, differ from previously reported amounts in the Company s Quarterly Reports in Form 10-Q due to the reclassification in the fourth quarter of 2007 of customer promotions to be a reduction of gross sales. Such amounts had been classified as a component of selling, general and administrative expenses. Customer promotions in 2006 were insignificant. In accordance with SFAS 128 earnings per share is computed independently for each of the quarters presented; therefore, the sum of the quarterly earnings per share may not equal the annual earnings per share. Each of our Company s fiscal quarters above consists of 13 weeks and ended on the last Saturday of the 13 week period.

19. Recent Development (Unaudited)

On March 4, 2008, we announced a restructuring of the Company as a result of continued analysis of the Company s target markets, internal structure, projected run-rate, and efficiency. The restructuring resulted in a decrease in the Company s workforce of approximately 17% and included employees at both its Venice, Florida and Salisbury, North Carolina locations. As a result of the restructuring, the Company expects to record an estimated restructuring charge of approximately $1.9 million in the first quarter of 2008. No amounts related to this restructuring have been accrued in the accompanying consolidated financial statements as of and for the year ended December 29, 2007.

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Item 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***
None.

Item 9A. ***CONTROLS AND PROCEDURES***
Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed in reports filed by us under the Exchange Act 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 management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer, with the participation of other members of management, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective and designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

Although the management of our Company, including the Chief Executive Officer and the Chief Financial Officer, believes that our disclosure controls and internal controls currently provide reasonable assurance that our desired control objectives have been met, management does not expect that our disclosure controls or internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management s Report on Internal Control over Financial Reporting

The management of PGT, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

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.

Under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of its internal control over financial reporting as of

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December 29, 2007. The framework on which such evaluation was based is contained in the report entitled Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Report). Based on that evaluation and the criteria set forth in the COSO Report, management concluded that its internal control over financial reporting was effective as of December 29, 2007.

During the three months ended December 29, 2007, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our independent registered public accounting firm, Ernst & Young LLP, who also audited our consolidated financial statements, audited the effectiveness of our internal control over financial reporting. Ernst & Young LLP has issued their attestation report, which follows:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of

PGT, Inc.

We have audited PGT, Inc. s internal control over financial reporting as of December 29, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). PGT, Inc. s management is responsible 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 Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, PGT, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 29, 2007, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 29, 2007 and December 30, 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 29, 2007, December 30, 2006 and December 31, 2005 of PGT, Inc. and our report dated March 7, 2008 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Certified Public Accountants

Tampa, Florida

March 7, 2008

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Item 9B. ***OTHER INFORMATION***

None.

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PART III

Item 10. ***DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT***

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders under the captions Proposal 1 Election of Directors, Information Regarding the Board and its Committees, Corporate Governance Director Nomination Process, Corporate Governance Code of Business Conduct and Ethics, Section 16(a) Beneficial Ownership Reporting Compliance, and Executive Officers of the Registrant, which information is incorporated herein by reference to Item 4 of this Annual Report on Form 10-K.

Code of Business Conduct and Ethics

PGT, Inc. and its subsidiary endeavor to do business according to the highest ethical and legal standards, complying with both the letter and spirit of the law. Our board of directors has approved a Code of Business Conduct and Ethics that applies to our directors, officers (including our principal executive officer, principal financial officer and controller) and employees. Our Code of Business Conduct and Ethics is administered by a Compliance Committee made up of representatives from our legal, human resources and accounting departments.

Our employees are encouraged to report any suspected violations of laws, regulations and the Code of Business Conduct and Ethics, and all unethical business practices. We provide continuously monitored hotlines for anonymous reporting by employees.

Our board of directors has also approved a Supplemental Code of Ethics for the chief executive officer, president, and senior financial officers of PGT, Inc., which is administered by our general counsel.

Both of these policies can be found on the governance section of our corporate website at: http://pgtinc.com.

Stockholders may request a free copy of these policies by contacting the Corporate Secretary, PGT, Inc., 1070 Technology Drive, North Venice, Florida, 34275, United States of America.

In addition, within five business days of:

- Any amendment to a provision of our Code of Business Conduct and Ethics or our Supplemental Code of Ethics that applies to our chief executive officer, our chief financial Officer; or

- The grant of any waiver, including an implicit waiver, from a provision of one of these policies to one of these officers that relates to one or more of the items set forth in Item 406(b) of Regulation S-K

we will provide information regarding any such amendment or waiver (including the nature of any waiver, the name of the person to whom the waiver was granted and the date of the waiver) on our Web site at the Internet address above, and such information will be available on our Web site for at least a 12-month period. In addition, we will disclose any amendments and waivers to our Code of Business Conduct and Ethics or our Supplemental Code of Ethics as required by the listing standards of the NASDAQ Global Market.

Item 11. ***EXECUTIVE COMPENSATION***

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders under the captions Executive Compensation, Retirement Plans, Employment Agreements and Change in Control Agreements, Information Regarding the Board and its Committees Information on the Compensation of Directors, Compensation Committee Report, and Compensation Committee Interlocks and Insider Participation, which information is incorporated herein by reference.

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

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

Item 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders under the caption Certain Relationships and Related Transactions, which information is incorporated herein by reference.

Item 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES***

The information required by this item appears in our definitive proxy statement for our annual meeting of stockholders under the caption Proposal 2 Ratification of Selection of Auditors Fees Paid to Ernst & Young LLP, which information is incorporated herein by reference.

PART IV

Item 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

(a) (1) See the index to consolidated financial statements and schedule provided in Item 8 for a list of the financial statements filed as part of this report.

(2) Financial statement schedules are omitted because they are either not applicable or not material.

(3) The following documents are filed, furnished or incorporated by reference as exhibits to this report as required by Item 601 of Regulation S-K.

Exhibit Number	Description
3.1	Form of Amended and Restated Certificate of Incorporation of PGT, Inc. (incorporated herein by reference to Exhibit 3.1 to Amendment No. 3 to the Registration Statement of the Company on Form S-1, filed with the Securities and Exchange Commission on June 8, 2006, Registration No. 333-132365)
3.2	Form of Amended and Restated By-Laws of PGT, Inc. (incorporated herein by reference to Exhibit 3.1 to Current Report on Form 8-K of the Company, filed with the Securities and Exchange Commission on December 6, 2007, File No. 000-52059)
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* Filed herewith.
** Furnished herewith.

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SIGNATURES

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

PGT, INC.
(Registrant)

Date: March 7, 2008

/s/ Rodney Hershberger
Rodney Hershberger
President and Chief Executive Officer

Date: March 7, 2008

/s/ Jeffrey T. Jackson
Jeffrey T. Jackson
Chief Financial Officer and Treasurer

The undersigned hereby constitute and appoint Mario Ferrucci, III and his substitutes our true and lawful attorneys-in-fact with full power to execute in our name and behalf in the capacities indicated below any and all amendments to this report and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that such attorney-in-fact or his substitutes shall lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Exchange Act, 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/ Rodney Hershberger Rodney Hershberger	President and Chief Executive Officer (Principal Executive Officer and Director)	March 7, 2008
/s/ Jeffrey T. Jackson Jeffrey T. Jackson	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 7, 2008
/s/ Paul S. Levy Paul S. Levy	Chairman and Director	March 7, 2008
/s/ Alexander R. Castaldi Alexander R. Castaldi	Director	March 7, 2008
/s/ Richard D. Feintuch Richard D. Feintuch	Director	March 7, 2008
/s/ M. Joseph McHugh M. Joseph McHugh	Director	March 7, 2008
/s/ Floyd F. Sherman Floyd F. Sherman	Director	March 7, 2008
/s/ Randy L. White	Director	March 7, 2008

Randy L. White		
/s/ BRETT N. MILGRIM	Director	March 7, 2008
Brett N. Milgrim		
/s/ WILLIAM J. MORGAN	Director	March 7, 2008
William J. Morgan		
/s/ DANIEL AGROSKIN	Director	March 7, 2008
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