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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: October 3, 2020

or

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

For the transition period from to

Commission file number: 1-14315



Cornerstone Building Brands, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**76-0127701**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5020 Weston Parkway	**Suite 400**	**Cary**	**NC**	**27513**
(Address of principal executive offices)				**(Zip Code)**

(866) 419-0042
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock $0.01 par value per share	CNR	New York Stock Exchange

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $0.01 par value - 125,101,514 shares as of November 3, 2020.

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PART I — FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements.

CORNERSTONE BUILDING BRANDS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Sales	$ 1,227,253	$ 1,285,043	$ 3,426,000	$ 3,645,332
Cost of sales	929,751	975,240	2,642,880	2,844,949
Gross profit	297,502	309,803	783,120	800,383
Selling, general and administrative expenses	137,250	154,034	436,575	466,368
Intangible asset amortization	45,446	44,725	135,547	132,699
Restructuring and impairment charges, net	2,918	4,984	32,164	15,522
Strategic development and acquisition related costs	7,909	10,500	13,550	36,668
Goodwill impairment	—	—	503,171	—
Income (loss) from operations	103,979	95,560	(337,887)	149,126
Interest income	328	155	1,007	491
Interest expense	(51,519)	(56,549)	(158,738)	(173,134)
Foreign exchange gain (loss)	812	(616)	(1,300)	1,084
Other income (expense), net	(23)	717	(25)	665
Income (loss) before income taxes	53,577	39,267	(496,943)	(21,768)
Provision (benefit) for income taxes	23,061	14,103	(12,285)	(4,448)
Net income (loss)	30,516	25,164	(484,658)	(17,320)
Net income allocated to participating securities	(488)	(374)	—	—
Net income (loss) applicable to common shares	$ 30,028	$ 24,790	$ (484,658)	$ (17,320)
Income (loss) per common share:				
Basic	$ 0.24	$ 0.20	$ (3.86)	$ (0.14)
Diluted	$ 0.24	$ 0.20	$ (3.86)	$ (0.14)
Weighted average number of common shares outstanding:				
Basic	125,100	125,557	125,655	125,526
Diluted	125,289	125,558	125,655	125,526

See accompanying notes to consolidated financial statements.

CORNERSTONE BUILDING BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Comprehensive income (loss):				
Net income (loss)	$ 30,516	$ 25,164	$ (484,658)	$ (17,320)
Other comprehensive income (loss), net of tax:				
Foreign exchange translation gains (losses)	7,354	(1,862)	6,357	4,278
Unrealized gain (loss) on derivative instruments, net of income tax of $(426), $2,054, $12,788 and $9,267, respectively	194	(6,858)	(41,711)	(29,604)
Other comprehensive income (loss)	7,548	(8,720)	(35,354)	(25,326)
Comprehensive income (loss)	$ 38,064	$ 16,444	$ (520,012)	$ (42,646)

See accompanying notes to consolidated financial statements.

CORNERSTONE BUILDING BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	October 3, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 627,603	$ 98,386
Restricted cash	6,223	3,921
Accounts receivable, less allowances of $13,411 and $9,962, respectively	578,684	491,740
Inventories, net	408,897	439,194
Income taxes receivable	34,310	48,466
Investments in debt and equity securities, at market	1,917	3,776
Prepaid expenses and other	73,096	78,516
Assets held for sale	5,087	1,750
Total current assets	1,735,817	1,165,749
Property, plant and equipment, less accumulated depreciation of $619,650 and $556,143, respectively	635,904	652,841
Lease right-of-use assets	277,037	316,155
Goodwill	1,189,992	1,669,594
Intangible assets, net	1,623,133	1,740,700
Deferred income taxes	1,139	7,510
Other assets, net	11,959	11,797
Total assets	$ 5,474,981	$ 5,564,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 25,600	$ 25,600
Accounts payable	229,353	205,629
Accrued compensation and benefits	78,269	92,130
Accrued interest	32,001	19,070
Accrued income taxes	2,730	—
Current portion of lease liabilities	69,408	72,428
Other accrued expenses	258,890	233,687
Total current liabilities	696,251	648,544
Long-term debt	3,567,302	3,156,924
Deferred income taxes	244,468	291,987
Long-term lease liabilities	210,446	243,780
Other long-term liabilities	336,224	287,793
Total long-term liabilities	4,358,440	3,980,484
Stockholders' equity:		
Common stock, $0.01 par value; 200,000,000 authorized; 125,128,804 and 125,101,519 shares issued and outstanding at October 3, 2020, respectively; and 126,110,000 and 126,054,487 shares issued and outstanding at December 31, 2019, respectively	1,252	1,261
Additional paid-in capital	1,253,877	1,248,787
Accumulated deficit	(766,565)	(281,229)
Accumulated other comprehensive loss, net	(67,752)	(32,398)
Treasury stock, at cost (27,285 and 55,513 shares at October 3, 2020 and December 31, 2019, respectively)	(522)	(1,103)
Total stockholders' equity	420,290	935,318
Total liabilities and stockholders' equity	$ 5,474,981	$ 5,564,346

See accompanying notes to consolidated financial statements.

CORNERSTONE BUILDING BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Cash flows from operating activities:		
Net loss	$ (484,658)	$ (17,320)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	212,413	191,485
Non-cash interest expense	6,948	6,233
Share-based compensation expense	12,568	10,613
Non-cash fair value premium on purchased inventory	—	16,249
Goodwill impairment	503,171	—
Asset impairment	3,490	—
Loss (gain) on asset sales, net	710	(335)
Provision for doubtful accounts	3,762	(492)
Deferred income taxes	(27,052)	(45,192)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(84,309)	(138,329)
Inventories	30,980	63,327
Income taxes	16,886	1,256
Prepaid expenses and other	6,246	(4,374)
Accounts payable	22,669	8,486
Accrued expenses	12,920	(21,005)
Other, net	132	(2,783)
Net cash provided by operating activities	236,876	67,819
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(41,841)	(179,184)
Capital expenditures	(62,535)	(86,364)
Proceeds from sale of property, plant and equipment	1,538	873
Net cash used in investing activities	(102,838)	(264,675)
Cash flows from financing activities:		
Proceeds from ABL facility	345,000	290,000
Payments on ABL facility	(415,000)	(120,000)
Proceeds from cash flow revolver	115,000	—
Payments on cash flow revolver	(115,000)	—
Payments on term loan	(19,215)	(12,810)
Proceeds from senior notes	500,000	—
Payments of financing costs	(6,905)	—
Payments related to tax withholding for share-based compensation	(478)	(231)
Purchases of treasury stock	(6,428)	—
Net cash provided by financing activities	396,974	156,959
Effect of exchange rate changes on cash and cash equivalents	507	1,406
Net increase (decrease) in cash, cash equivalents and restricted cash	531,519	(38,491)
Cash, cash equivalents and restricted cash at beginning of period	102,307	147,607
Cash, cash equivalents and restricted cash at end of period	$ 633,826	$ 109,116
Supplemental disclosure of cash flow information:		
Taxes paid (refunded), net	$ (1,881)	$ 47,881

See accompanying notes to consolidated financial statements.

CORNERSTONE BUILDING BRANDS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

Fiscal Quarters	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance, July 4, 2020	125,122,988	$ 1,252	$ 1,249,852	$ (797,081)	$ (75,300)	(25,650)	$ (511)	$ 378,212
Treasury stock purchases	—	—	—	—	—	(1,635)	(11)	(11)
Issuance of restricted stock	5,816	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	7,548	—	—	7,548
Share-based compensation	—	—	4,025	—	—	—	—	4,025
Net income	—	—	—	30,516	—	—	—	30,516
Balance, October 3, 2020	125,128,804	$ 1,252	$ 1,253,877	$ (766,565)	$ (67,752)	(27,285)	$ (522)	$ 420,290
Balance, June 29, 2019	125,588,427	$ 1,256	$ 1,243,897	$ (308,323)	$ (27,419)	(69,315)	$ (1,207)	$ 908,204
Treasury stock purchases	—	—	—	—	—	(12,612)	(64)	(64)
Retirement of treasury shares	(26,826)	—	(171)	—	—	26,826	171	—
Issuance of restricted stock	46,178	1	(1)	—	—	—	—	—
Issuance of common stock for the Ply Gem merger	13,731	—	167	—	—	—	—	167
Other comprehensive loss	—	—	—	—	(8,720)	—	—	(8,720)
Share-based compensation	—	—	3,134	—	—	—	—	3,134
Net income	—	—	—	25,164	—	—	—	25,164
Balance, September 28, 2019	125,621,510	$ 1,257	$ 1,247,026	$ (283,159)	$ (36,139)	(55,101)	$ (1,100)	$ 927,885

See accompanying notes to consolidated financial statements.

CORNERSTONE BUILDING BRANDS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(In thousands, except share data)
(Unaudited)

Fiscal Year to Date Periods	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Stockholders' Equity
	Shares	Amount				Shares	Amount	
December 31, 2019	126,110,000	$ 1,261	$ 1,248,787	$ (281,229)	$ (32,398)	(55,513)	$ (1,103)	$ 935,318
Treasury stock purchases	—	—	—	—	—	(1,168,514)	(6,906)	(6,906)
Retirement of treasury shares	(1,166,973)	(12)	(6,883)	—	—	1,166,973	6,895	—
Issuance of restricted stock	185,777	2	(2)	—	—	—	—	—
Other comprehensive loss	—	—	—	—	(35,354)	—	—	(35,354)
Deferred compensation obligation	—	1	(593)	—	—	29,769	592	—
Share-based compensation	—	—	12,568	—	—	—	—	12,568
Cumulative effect of accounting change	—	—	—	(678)	—	—	—	(678)
Net loss	—	—	—	(484,658)	—	—	—	(484,658)
Balance, October 3, 2020	125,128,804	$ 1,252	$ 1,253,877	$ (766,565)	$ (67,752)	(27,285)	$ (522)	$ 420,290
Balance, December 31, 2018	125,583,159	$ 1,256	$ 1,237,056	$ (265,839)	$ (10,813)	(110,899)	$ (1,678)	$ 959,982
Treasury stock purchases	—	—	—	—	—	(34,724)	(231)	(231)
Retirement of treasury shares	(84,810)	(1)	(722)	—	—	84,810	723	—
Issuance of restricted stock	109,430	2	(2)	—	—	—	—	—
Issuance of common stock for the Ply Gem merger	13,731	—	167	—	—	—	—	167
Other comprehensive loss	—	—	—	—	(25,326)	—	—	(25,326)
Deferred compensation obligation	—	—	(86)	—	—	5,712	86	—
Share-based compensation	—	—	10,613	—	—	—	—	10,613
Net loss	—	—	—	(17,320)	—	—	—	(17,320)
Balance, September 28, 2019	125,621,510	$ 1,257	$ 1,247,026	$ (283,159)	$ (36,139)	(55,101)	$ (1,100)	$ 927,885

See accompanying notes to consolidated financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements for Cornerstone Building Brands, Inc. (together with its subsidiaries, unless otherwise indicated, the "Company," "Cornerstone," "NCI", "we," "us" or "our") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, the unaudited consolidated financial statements included herein contain all adjustments, which consist of normal recurring adjustments, necessary to fairly present the Company's financial position, results of operations and cash flows for the periods indicated. Operating results for the period from January 1, 2020 through October 3, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2020.

Certain reclassifications have been made to the prior period disaggregated revenue amounts in the notes to the consolidated financial statements to conform to the current presentation. The net effect of these reclassifications was not material to the consolidated financial statements (see disaggregated revenue table below).

For additional information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the Securities and Exchange Commission (the "SEC") on March 3, 2020.

On July 17, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Ply Gem Parent, LLC ("Ply Gem"), and for certain limited purposes as set forth in the Merger Agreement, Clayton, Dubilier & Rice, LLC ("CD&R"), pursuant to which, at the closing of the merger, Ply Gem would be merged with and into NCI, with NCI continuing its existence as a corporation organized under the laws of the State of Delaware (the "Merger"). In connection with the Merger, 58,709,067 shares of NCI common stock were issued to the holders of all of the equity interests in Ply Gem (the "Stock Issuance"), representing approximately 47% of the total number of shares of NCI Common Stock outstanding following the consummation of the Merger on November 16, 2018. There are approximately 57,103 shares of NCI Common Stock of the original 58,709,067 that have not yet been issued pending holder identification and have been accrued as purchase consideration within other current liabilities in the consolidated balance sheet at October 3, 2020.

Reporting Periods

The Company's current fiscal quarters are based on a four-four-five week calendar with periods ending on the Saturday of the last week in the quarter except that December 31st will always be the year-end date. Therefore, the financial results of certain fiscal quarters may not be comparable to prior fiscal quarters.

Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that total the amounts shown in the consolidated statements of cash flows (in thousands):

	October 3, 2020	December 31, 2019
Cash and cash equivalents	$ 627,603	$ 98,386
Restricted cash[(1)]	6,223	3,921
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 633,826	$ 102,307

(1) Restricted cash primarily relates to escrow balances held for an outstanding earn-out agreement and working capital and other indemnification agreements.

Accounts Receivables and Related Allowance

The Company reports accounts receivable net of the allowance for expected credit losses. Trade accounts receivable are the result of sales of metal building products, insulated metal panels, metal coating, vinyl siding, metal siding, injection molded products, vinyl windows, aluminum windows, and other products and services to customers throughout the United States and Canada and affiliated territories, including international builders who resell to end users. Sales are primarily denominated in U.S. dollars. Credit sales do not normally require a pledge of collateral; however, various types of liens may be filed to enhance the collection process and we require payment prior to shipment for certain international shipments.

The Company establishes reserves for doubtful accounts on a customer by customer basis when we believe the required payment of specific amounts owed is unlikely to occur. Bad debt provisions are included in selling, general and administrative expenses. In establishing these reserves, the Company considers changes in the financial position of a customer, availability of security, unusual macroeconomic conditions, lien rights and bond rights as well as disputes, if any, with our customers. Our allowance for doubtful accounts reflects reserves for customer receivables to reduce receivables to amounts expected to be collected. We determine past due status as of the contractual payment date. Interest on delinquent accounts receivable is included in the trade accounts receivable balance and recognized as interest income when earned and collectability is reasonably assured. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance, all collection efforts have been exhausted and/or any legal action taken by the Company has concluded.

The following table represents the rollforward of the reserve for uncollectible accounts for the periods indicated (in thousands):

	Nine Months Ended October 3, 2020
Ending balance, December 31, 2019	$ 9,962
Cumulative effect of accounting change[(1)]	678
Provision for expected credit losses	3,762
Amounts charged against allowance for credit losses, net of recoveries	(1,801)
Allowance for credit losses of acquired company at date of acquisition	810
Ending balance, October 3, 2020	$ 13,411

(1) Cumulative effect of accounting change reflects the modified retrospective effect of adopting ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (See Note 2 — *Accounting Pronouncements*).

Net Sales

The Company adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), as of October 29, 2018. ASU 2014-09 provides enhancements to the quality and consistency of how revenue is reported while also improving comparability in the financial statements of companies reporting using International Financial Reporting Standards and GAAP. The core principle of this update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company enters into contracts that pertain to products, which are accounted for as separate performance obligations and are typically one year or less in duration. The Company does not exercise significant judgment in determining the timing for the satisfaction of performance obligations or the transaction price. Revenue is measured as the amount of consideration expected to be received in exchange for our products. The Company has elected to apply the practical expedient provided for in ASU No. 2014-09 and has not disclosed information regarding remaining performance obligations that have original expected durations of one year or less. Revenue is generally recognized when the product has shipped from our facility and control has transferred to the customer. For a portion of our business, when we process customer owned material, control is deemed to transfer to the customer as the processing is being completed.

Our revenues are adjusted for variable consideration, which includes customer volume rebates and prompt payment discounts. We measure variable consideration by estimating expected outcomes using analysis and inputs based upon anticipated performance, historical data, and current and forecasted information. Customer returns are recorded as a reduction to sales on an actual basis throughout the year and also include an estimate at the end of each reporting period for future customer returns related to sales recorded prior to the end of the period. The Company generally estimates customer returns based upon the time lag that historically occurs between the sale date and the return date while also factoring in any new business conditions that might impact the historical analysis such as new product introduction. Measurement of variable consideration is reviewed by management periodically and revenue is adjusted accordingly. We do not have significant financing components.

Shipping and handling activities performed by us are considered activities to fulfill the sales of our products. Amounts billed for shipping and handling are included in net sales, while costs incurred for shipping and handling are included in cost of sales.

In accordance with certain contractual arrangements, we receive payment from our customers in advance related to performance obligations that are to be satisfied in the future and recognize such payments as deferred revenue, primarily related to the Company's weathertightness warranties (see Note 12 — *Warranty)*.

The following table presents disaggregated revenue disclosure details of net sales by segment (in thousands):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Windows Net Sales Disaggregation:				
Vinyl windows[1]	$ 465,472	$ 473,202	$ 1,283,337	$ 1,334,747
Aluminum windows[1]	22,056	18,404	61,338	56,490
Other[1]	13,786	12,732	33,364	43,342
Total	$ 501,314	$ 504,338	$ 1,378,039	$ 1,434,579
Siding Net Sales Disaggregation:				
Vinyl siding	$ 146,585	$ 148,912	$ 387,559	$ 400,220
Metal	75,477	75,933	192,567	199,265
Injection molded	20,460	17,429	49,556	47,163
Stone	20,988	32,254	61,999	70,441
Other products & services	58,388	41,271	156,509	123,512
Total	$ 321,898	$ 315,799	$ 848,190	$ 840,601
Commercial Net Sales Disaggregation:				
Metal building products	$ 281,339	$ 320,028	$ 842,863	$ 914,623
Insulated metal panels	89,088	109,322	260,410	332,403
Metal coil coating	33,614	35,556	96,498	123,126
Total	$ 404,041	$ 464,906	$ 1,199,771	$ 1,370,152
Total Net Sales:	$ 1,227,253	$ 1,285,043	$ 3,426,000	$ 3,645,332

(1) Aluminum windows and other net sales for the three months ended September 28, 2019 includes $6.5 million and $1.4 million, respectively, of net sales previously included in vinyl windows. Aluminum windows and other net sales for the nine months ended September 28, 2019 includes $16.8 million and $3.8 million, respectively, of net sales previously included in vinyl windows.

NOTE 2 — ACCOUNTING PRONOUNCEMENTS

Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This ASU requires an entity to measure all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now incorporate forward-looking information based on expected losses to estimate credit losses. Effective January 1, 2020, the Company adopted this guidance on a modified retrospective basis, pursuant to which it recorded a $0.7 million adjustment to increase the opening balance of accumulated deficit as of January 1, 2020 for the impact of applying the new standard. The adjustment related to recording an incremental credit loss to the accounts receivable allowance for doubtful accounts at the beginning of the first period in which the accounting standard is effective. Additional credit loss disclosures are included in Note 1 — *Summary of Significant Accounting Policies*.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies disclosure requirements for fair value measurements under FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement.* Effective January 1, 2020, the Company adopted this guidance. The application of ASU 2018-13 did not have a material effect on consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which removes disclosures no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. Effective January 1, 2020, the Company adopted this guidance. The application of ASU 2018-14 did not have a material effect on consolidated financial statements.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and also improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The Company will be required to adopt this guidance in the annual and interim periods for our fiscal year ending December 31, 2021, with early adoption permitted. The Company is evaluating the impact of adopting this guidance.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance to ease the potential burden in accounting for reference rate reform on financial reporting. The amendments in this ASU are elective, apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of rate reform, and are effective as of March 12, 2020 through December 31, 2022. The Company is evaluating the impact of electing to apply the amendments in this guidance.

Additionally, there were various other accounting standards and interpretations issued that the Company has not yet been required to adopt, none of which is expected to have a material impact on the Company’s consolidated financial statements going forward.

NOTE 3 — ACQUISITIONS

Kleary Acquisition

On March 2, 2020, the Company acquired 100% of the issued and outstanding shares of the common stock of Kleary Masonry, Inc. ("Kleary") for total consideration of $40.0 million, exclusive of the $2.0 million working capital adjustment that was finalized during the three months ended July 4, 2020. The transaction was financed with cash on hand and through borrowings under the Company’s asset-based revolving credit facility. Kleary primarily services residential customers with manufactured stone installations and commercial customers with manufactured wall installations in the Sacramento, California area. Kleary's results are reported within the Siding business segment.

The acquisition of Kleary strengthens the Company's position as a market leader in stone veneer. The Company accounted for the transaction as an acquisition in accordance with the provisions of ASC 805, *Business Combinations*, which results in a new valuation for the assets and liabilities of Kleary based upon fair values as of the closing date.

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of the fair value of the acquisition consideration over such fair values, as follows (in thousands):

Assets acquired:		
Cash	$	143
Accounts receivable		7,235
Inventories		670
Prepaid expenses and other current assets		277
Property, plant and equipment		1,042
Lease right of use assets		445
Intangible assets (trade names/customer relationships)		22,350
Goodwill		11,721
Other assets		680
Total assets acquired		44,563
Liabilities assumed:		
Accounts payable		1,126
Other accrued expenses		1,005
Lease liabilities		339
Other long-term liabilities		109
Total liabilities assumed		2,579
Net assets acquired	$	41,984

The $11.7 million of goodwill was allocated to the Siding segment and is expected to be deductible for tax purposes. The goodwill is attributable to the workforce of the acquired business and the synergies expected to be realized.

During the three and nine months ended October 3, 2020, the Company incurred $6.9 million and $8.1 million, respectively, of acquisition-related costs for Kleary, primarily consisting of a contingent earnout, which are recorded in strategic development and acquisition related costs in the Company's consolidated statements of operations.

The final acquisition accounting allocation for the acquisition of Kleary remains subject to further adjustments. The specific accounts subject to ongoing acquisition accounting adjustments include accounts receivable, inventories, prepaid expenses and other current assets, goodwill, intangibles, accounts payable, accrued expenses, accrued warranties and other liabilities. Therefore, the measurement period remained open as of October 3, 2020, and the preliminary acquisition accounting allocation detailed above is subject to further adjustment. The Company anticipates completing these acquisition accounting adjustments during the first quarter of fiscal 2021.

Unaudited Pro Forma Financial Information

During the three and nine months ended October 3, 2020, Kleary contributed net sales of $13.3 million and $25.9 million, respectively, a net loss of $0.9 million and net income of $0.8 million, respectively, which has been included within the Company's consolidated statement of operations. The following table provides unaudited supplemental pro forma results for Cornerstone, prepared in accordance with ASC 805, for the three and nine months ended October 3, 2020 and September 28, 2019 as if the Kleary and ESW (defined below) acquisitions had occurred on January 1, 2019 (in thousands except for per share data):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net sales	$ 1,227,253	$ 1,298,307	$ 3,434,358	$ 3,694,102
Net income (loss) applicable to common shares	30,516	25,164	(482,789)	(19,843)
Net income (loss) per common share:				
Basic	$ 0.24	$ 0.20	$ (3.84)	$ (0.16)
Diluted	$ 0.24	$ 0.20	$ (3.84)	$ (0.16)

The unaudited supplemental pro forma financial information was prepared based on the historical information of Cornerstone, Environmental Stoneworks and Kleary. The unaudited supplemental pro forma financial information does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the two acquisitions or any integration costs. Unaudited pro forma balances are not necessarily indicative of operating results had the Environmental Stoneworks and Kleary acquisitions occurred on January 1, 2019 or of future results.

Environmental Stoneworks

On January 12, 2019, the Company entered into a Unit Purchase Agreement (the "Purchase Agreement") with Environmental Materials, LLC, a Delaware limited liability company ("ESW"), the Members of Environmental Materials, LLC (the "Sellers") and Charles P. Gallagher and Wayne C. Kocourek, solely in their capacity as the Seller Representative (as defined in the Purchase Agreement), pursuant to which, on February 20, 2019, the Company's wholly-owned subsidiary, Ply Gem Industries, Inc., purchased from the Sellers 100% of the outstanding limited liability company interests of ESW (the "Environmental Stoneworks Acquisition") for total consideration of $182.6 million, subject to certain post-closing adjustments, for ESW. The transaction was financed through borrowings under the Company's asset-based revolving credit facility.

The Environmental Stoneworks Acquisition, when combined with the Company's existing stone businesses, positions the Company as a market leader in stone veneer. The Company accounted for the transaction as an acquisition in accordance with the provisions of ASC Topic 805, *Business Combinations*, which results in a new valuation for the assets and liabilities of ESW based upon fair values as of the closing date.

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of the fair value of the acquisition consideration over such fair values, as follows (in thousands):

Assets acquired:		
Restricted cash	$	3,379
Accounts receivable		16,825
Inventories		13,062
Prepaid expenses and other current assets		3,677
Property, plant and equipment		14,295
Lease right of use assets		11,372
Intangible assets (trade names/customer relationships)		91,170
Goodwill		63,543
Deferred taxes		474
Other assets		157
Total assets acquired		217,954
Liabilities assumed:		
Accounts payable		5,910
Other accrued expenses		14,666
Lease liabilities		11,365
Other long-term liabilities		3,450
Total liabilities assumed		35,391
Net assets acquired	$	182,563

The $63.5 million of goodwill was allocated to the Siding segment and is expected to be deductible for tax purposes. The goodwill is attributable to the workforce of the acquired business and the synergies expected to be realized.

NOTE 4 — RESTRUCTURING

The Company has various initiatives and programs in place within its business units to reduce selling, general, and administrative expenses ("SG&A"), manufacturing costs and to optimize the Company's combined manufacturing footprint. During the nine months ended October 3, 2020, the Company incurred restructuring charges of $7.2 million, $2.9 million and $20.4 million in the Windows, Siding and Commercial segments, respectively, and $1.8 million in restructuring charges at Corporate headquarters. Restructuring charges incurred to date since inception of the current restructuring initiatives began in 2019 are $50.4 million. The following table summarizes our restructuring plan costs and charges related to the restructuring plans for the period indicated, which are recorded in restructuring and impairment charges in the Company's consolidated statements of operations (in thousands):

	Three Months Ended October 3, 2020	Nine Months Ended October 3, 2020
Severance	$ 1,074	$ 23,563
Asset impairments	1,169	4,938
Other restructuring costs	675	3,820
Total restructuring costs	$ 2,918	$ 32,321

For the nine months ended October 3, 2020, $32.1 million of restructuring costs are recorded within restructuring and impairment costs and $0.2 million are recorded within cost of goods sold, in the Company's consolidated statement of operations. The asset impairments of $4.9 million for the nine months ended October 3, 2020 are comprised primarily of equipment costs of $3.4 million and right of use asset impairments of $1.5 million related predominantly to the closure of the Company's Ambridge, Pennsylvania Commercial facility.

The following table summarizes our severance liability and cash payments made pursuant to the restructuring plans from inception through October 3, 2020 (in thousands):

	Windows	Siding	Commercial	Corporate	Total
Balance, December 31, 2018	$ —	$ 85	$ —	$ 2,333	$ 2,418
Costs incurred	1,094	1,834	2,721	4,009	9,658
Cash payments	(676)	(1,437)	(2,721)	(4,579)	(9,413)
Balance, December 31, 2019	$ 418	$ 482	$ —	$ 1,763	$ 2,663
Costs incurred	3,389	2,367	16,413	1,394	23,563
Cash payments	(3,368)	(2,169)	(14,314)	(1,394)	(21,245)
Balance, October 3, 2020	$ 439	$ 680	$ 2,099	$ 1,763	$ 4,981

These severance liabilities are included within other accrued expenses on the consolidated balance sheets.

NOTE 5 — GOODWILL

The Company's goodwill balance and changes in the carrying amount of goodwill by segment follows (in thousands):

	Windows	Siding	Commercial	Total
Balance, December 31, 2019	$ 714,023	$ 807,280	$ 148,291	$ 1,669,594
Goodwill recognized from Kleary Acquisition	—	11,721	—	11,721
Impairment	(320,990)	(176,774)	(5,407)	(503,171)
Currency translation	1,885	7,081	—	8,966
Purchase accounting adjustments	—	2,882	—	2,882
Balance, October 3, 2020	$ 394,918	$ 652,190	$ 142,884	$ 1,189,992

The Company performs an annual impairment assessment of goodwill and indefinite-lived intangibles. Additionally, we assess goodwill and indefinite-lived intangibles for impairment whenever events or changes in circumstances indicate that the fair values may be below the carrying values of such assets. The Company performs these annual and interim impairment tests at the following levels: Windows, Siding, Metal Coil Coating, Engineered Building Products, Metal Components, and Insulated Metal Panels. Unforeseen events, changes in circumstances and market conditions and material differences in the value of intangible assets due to changes in estimates of future cash flows could negatively affect the fair value of our assets and result in a non-cash impairment charge. Some factors considered important that could trigger an impairment review include the following: significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant declines in stock price for a sustained period, and significant sustained negative industry or economic trends.

The fair value of the Company's reporting units is based on a blend of estimated discounted cash flows and publicly traded company multiples. A significant reduction in projected sales and earnings which would lead to a reduction in future cash flows could indicate potential impairment. The results from each of these models are then weighted and combined into a single estimate of fair value for the Company's reporting units. Estimated discounted cash flows are based on projected sales and related cost of sales. Publicly traded company multiples and acquisition multiples are derived from information on traded shares and analysis of recent acquisitions in the marketplace, respectively, for companies with operations similar to ours. The primary assumptions used in these various models include earnings multiples of acquisitions in a comparable industry, future cash flow estimates of each of the reporting units, weighted average cost of capital, working capital and capital expenditure requirements.

As a result of the decline in the Company’s market valuation and near-term economic uncertainties related to the COVID-19 pandemic, during the first quarter of fiscal 2020, the Company determined that an interim goodwill impairment test was necessary. The Company determined that deterioration in discount rates and market multiples during the three months ended April 4, 2020 from the COVID-19 driven economic uncertainty when combined with lower forecasted discounted cash flows, decreased the fair values of the Company’s reporting units. The Company performed an impairment evaluation by comparing the fair market value of its reporting units, as determined using an equally weighted discounted cash flow model and market approach, to its carrying value. It was determined that the Siding, Windows and Metal Coil Coating reporting units' carrying value each exceeded their fair value. As a result of this analysis, the Company recorded a goodwill impairment charge of approximately $321.0 million for the Windows reporting unit, $176.8 million for the Siding reporting unit, and $5.4 million for the Metal Coil Coating reporting unit (which is within the Commercial segment). This non-cash charge does not affect the Company’s cash position, liquidity or debt covenant compliance, nor will it have any impact on future operations. However, there can be no assurance that: 1) valuation multiples will not decline, 2) discount rates will not increase, or 3) the earnings, book values or projected earnings and cash flows of the Company’s reporting units will not decline. The Company will continue to analyze changes to these assumptions in future periods. There were no additional impairment triggers identified during the nine months ended October 3, 2020. The Company will continue to perform its required annual goodwill impairment test during the fourth quarter and further declines in the Company's end markets could result in additional goodwill impairment charges.

In addition to ASC 350, *Intangibles-goodwill and other*, the Company evaluated its property and equipment and intangible assets for impairment during the first quarter of fiscal 2020 in accordance with ASC 360, *Property, plant and equipment*. This analysis was triggered by a decrease in projected cash flows due to the depressed construction market. The impairment test results did not indicate that an impairment existed at April 4, 2020 other than the $3.1 million included in restructuring and impairment charges, net, in the Company's consolidated statement of operations for the three months ended April 4, 2020. There were no additional impairment triggers identified during the nine months ended October 3, 2020.

NOTE 6 — INVENTORIES

The components of inventory are as follows (in thousands):

	October 3, 2020	December 31, 2019
Raw materials	$ 232,627	$ 239,063
Work in process and finished goods	176,270	200,131
Total inventory	$ 408,897	$ 439,194

As of October 3, 2020, the Company had inventory purchase commitments of $21.2 million.

NOTE 7 — INTANGIBLES

The table that follows presents the major components of intangible assets as of October 3, 2020 and December 31, 2019 (in thousands):

	Range of Life (Years)	Weighted Average Amortization Period (Years)	Cost	Accumulated Amortization	Net Carrying Value
As of October 3, 2020					
Amortized intangible assets:					
Trademarks/Trade names	5 – 15	8	$ 248,021	$ (51,658)	$ 196,363
Customer lists and relationships	7 – 20	10	1,754,347	(327,577)	1,426,770
Total intangible assets		10	$ 2,002,368	$ (379,235)	$ 1,623,133
As of December 31, 2019					
Amortized intangible assets:					
Trademarks/Trade names	5 – 15	9	$ 252,942	$ (38,010)	$ 214,932
Customer lists and relationships	9 – 20	11	1,737,060	(211,292)	1,525,768
Total intangible assets		10	$ 1,990,002	$ (249,302)	$ 1,740,700

NOTE 8 — ASSETS HELD FOR SALE

We record assets held for sale at the lower of the carrying value or fair value less costs to sell. The following criteria are used to determine if property is held for sale: (i) management has the authority and commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition; (iii) there is an active program to locate a buyer and the plan to sell the property has been initiated; (iv) the sale of the property is probable within one year; (v) the property is being actively marketed at a reasonable sale price relative to its current fair value; and (vi) it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

In determining the fair value of the assets less cost to sell, we consider factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals and any recent legitimate offers. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell. The total carrying value of assets held for sale was $5.1 million and $1.8 million as of October 3, 2020 and December 31, 2019, respectively. Assets held for sale at October 3, 2020 are actively marketed for sale or were under contract.

During the three and nine months ended October 3, 2020, the Company reclassified certain facilities within the Commercial segment that have a net book value of $4.3 million to assets held for sale. Additionally, during the nine months ended October 3, 2020, the Company acquired certain real property assets of $0.8 million through its executive relocation program which are classified as held for sale as of October 3, 2020.

During the three and nine months ended October 3, 2020, the Company sold certain real property assets with a net book value of $1.8 million which had previously been classified as held for sale. In connection with the sale, the Company recognized a net loss of $0.4 million which is included in Corporate restructuring and impairment charges, net, in the consolidated statements of operations for the three and nine months ended October 3, 2020.

Due to uncertainties in the estimation process, actual results could differ from the estimates used in our historical analysis. Our assumptions about property sales prices require significant judgment because the current market is highly sensitive to changes in economic conditions. We determined the estimated fair values of assets held for sale based on current market conditions and assumptions made by management, which may differ from actual results and may result in impairments if market conditions deteriorate. Certain assets held for sale are valued at fair value and are measured at fair value on a nonrecurring basis. Assets held for sale are reported at fair value, if, on an individual basis, the fair value of the asset is less than carrying value. The fair value of assets held for sale is estimated using Level 3 inputs, such as broker quotes for like-kind assets or other market indications of a potential selling value that approximates fair value. Assets held for sale, reported at fair value, less costs to sell, totaled $0.8 million as of October 3, 2020.

NOTE 9 — LEASES

The Company leases certain manufacturing, warehouse and distribution locations, vehicles and equipment, including fleet vehicles. Many of these leases have options to terminate prior to or extend beyond the end of the term. The exercise of the

majority of lease renewal options is at the Company's sole discretion. Some lease agreements have variable payment terms, the majority of these are real estate agreements in which future increases in rent are based on an index. Lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease liabilities are recognized based on the present value of the future minimum lease payments over the reasonably expected holding period at commencement date. Few of the Company's lease contracts provide a readily determinable implicit rate. For lease contracts without a readily determinable implicit rate, an estimated incremental borrowing rate ("IBR") is utilized, based on information available at the inception of the lease. The IBR represents an estimate of the interest rate we would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease.

Weighted average information about the Company's lease portfolio as of October 3, 2020 was as follows:

Weighted-average remaining lease term	5.5 years
Weighted-average IBR	6.08 %

Operating lease costs were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Operating lease costs				
Fixed lease costs	$ 21,220	$ 23,903	$ 78,183	$ 77,125
Variable lease costs[(1)]	19,013	8,654	54,188	27,868

[(1)] Includes short-term lease costs, which are immaterial.

Cash and non-cash activities were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	$ 24,853	$ 23,463	$ 80,241	$ 66,936
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 2,070	$ 47,236	$ 18,940	$ 372,269

Future minimum lease payments under non-cancelable leases as of October 3, 2020 were as follows (in thousands):

	Operating Leases
2020 (excluding the nine months ended October 3, 2020)	$ 17,730
2021	82,979
2022	67,882
2023	42,451
2024	31,875
Thereafter	88,848
Total future minimum lease payments	331,765
Less: interest	51,911
Present value of future minimum lease payments	$ 279,854

As of October 3, 2020	
Current portion of lease liabilities	$ 69,408
Long-term portion of lease liabilities	210,446
Total	$ 279,854

NOTE 10 — SHARE-BASED COMPENSATION

Our 2003 Long-Term Stock Incentive Plan, as amended (the “Incentive Plan”), is an equity-based compensation plan that allows us to grant a variety of types of awards, including stock options, restricted stock awards, stock appreciation rights, cash awards, phantom stock awards, restricted stock unit awards ("RSUs") and long-term incentive awards with performance conditions (“performance share units” or "PSUs"). Awards are generally granted once per year, with the amounts and types of awards determined by the Compensation Committee of our Board of Directors (the “Committee”). In connection with the Merger with Ply Gem Parent, LLC ("Ply Gem"), on November 16, 2018 awards were granted to certain senior executives and key employees (the “Founders Awards”), which included stock options, RSUs, and PSUs. A portion of the Founders Awards was not granted under the Incentive Plan but was instead granted pursuant to a separate equity-based compensation plan, the Long-Term Incentive Plan consisting of award agreements for select Founders Awards. However, these awards were subject to the same terms and provisions as awards of the same type granted under the Incentive Plan.

As of October 3, 2020, and for all periods presented, the Founders Awards and our share-based awards under the Incentive Plan have consisted of RSUs, PSUs and stock option grants, none of which can be settled through cash payments. Both our stock options and restricted stock awards are subject only to vesting requirements based on continued employment at the end of a specified time period and typically vest in annual increments over three to five years or earlier upon death, disability or a change in control. Restricted stock awards do not vest upon attainment of a specified retirement age, as provided by the agreements governing such awards. The vesting of our Performance Share Awards is described below.

As a general rule, option awards terminate on the earlier of (i) 10 years from the date of grant, (ii) 60 days after termination of employment or service for a reason other than death, disability or retirement, or (iii) 180 days after death, disability or retirement. Awards are non-transferable except by disposition on death or to certain family members, trusts and other family entities as the Committee may approve. Awards may be paid in cash, shares of our Common Stock or a combination, in lump sum or installments and currently or by deferred payment, all as determined by the Committee.

Our time-based restricted stock awards are typically subject to graded vesting over a service period, which is three to five years. Our performance-based and market-based restricted stock awards are typically subject to cliff vesting at the end of the service period, which is typically three years. Our share-based compensation arrangements are equity classified and we recognize compensation cost for these awards on a straight-line basis over the requisite service period for each award grant. In the case of performance-based awards, expense is recognized based upon management’s assessment of the probability that such performance conditions will be achieved. Certain of our awards provide for accelerated vesting upon a change of control or upon termination without cause or for good reason.

Vesting of the PSUs granted in the Founders Awards is contingent upon the achievement of synergies captured from the Merger and continued employment during a three-year performance period beginning on the grant date. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. Vesting of the PSUs granted during the nine months ended October 3, 2020 is contingent upon achievement of a cumulative three-year EBITDA growth target with an additional modifier based on total shareholder return. The grant-date fair value of the PSUs granted during the nine months ended October 3, 2020 was determined by a lattice model valuation. The PSUs vest pro rata if an executive’s employment terminates after 50% of the service period has passed and prior to the end of the performance period due to death, disability, or termination by the Company without cause or by the executive for good reason. If an executive’s employment terminates for any other reason prior to the end of the performance period, all outstanding unvested PSUs, whether earned or unearned, are forfeited and cancelled. If a change in control of the Company occurs, and the plan is not accepted by the successor entity, prior to the end of the performance period, the PSU payout is calculated and paid assuming that the maximum benefit had been achieved. If the plan is accepted, awards will continue to vest as RSUs with a double trigger acceleration upon termination by the Company without cause or by the executive for good reason. If an executive’s employment terminates due to death or disability while any of the restricted stock is unvested, then all of the unvested restricted stock shall become vested. If an executive’s employment is terminated by the Company without cause or by the executive for good reason, the unvested restricted stock is forfeited. If a change in control of the Company occurs, and the plan is not accepted by the successor entity, prior to the end of the performance period, the restricted stock fully vests. If the plan is accepted, awards will continue to vest with a double trigger acceleration upon termination by the Company without cause or by the executive for good reason. The fair value of the awards is based on the Company’s stock price as of the date of grant.

Stock option awards

During the nine months ended October 3, 2020 and September 28, 2019, we granted 1.1 million and 0.4 million stock options, respectively. The average grant date fair value of options granted during the nine months ended October 3, 2020 and September 28, 2019 was $2.13 and $1.97 per share, respectively. No options were exercised during the nine months ended October 3, 2020 and September 28, 2019.

Restricted stock units and performance share units

Annual awards to our key employees generally have a three-year performance period. The fair value of RSUs awarded is based on the Company's stock price as of the date of grant. During the nine months ended October 3, 2020, we granted RSUs to key employees with a fair value of $7.0 million representing approximately 1.4 million shares. During the nine months ended September 28, 2019, we granted RSUs to key employees with a fair value of $2.8 million, representing 0.5 million shares. During the nine months ended October 3, 2020 and September 28, 2019, we granted PSUs with a total fair value of approximately $5.6 million and $0.4 million, respectively, to key employees.

Share-based compensation expense

During the three and nine months ended October 3, 2020, we recorded share-based compensation expense for all awards of $4.0 million and $12.6 million, respectively. During the three and nine months ended September 28, 2019, we recorded share-based compensation expense for all awards of $3.1 million and $10.6 million, respectively.

NOTE 11 — EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing net income allocated to common shares by the weighted average number of common shares outstanding. Diluted earnings per common share, if applicable, considers the dilutive effect of common stock equivalents. The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings per common share is as follows (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Numerator for Basic and Diluted Earnings Per Common Share				
Net income (loss) applicable to common shares	$ 30,028	$ 24,790	$ (484,658)	$ (17,320)
Denominator for Basic and Diluted Earnings Per Common Share				
Weighted average basic number of common shares outstanding	125,100	125,557	125,655	125,526
Common stock equivalents:				
Employee stock options	189	1	—	—
PSUs and Performance Share Awards	—	—	—	—
Weighted average diluted number of common shares outstanding	125,289	125,558	125,655	125,526
Basic income (loss) per common share	$ 0.24	$ 0.20	$ (3.86)	$ (0.14)
Diluted income (loss) per common share	$ 0.24	$ 0.20	$ (3.86)	$ (0.14)
Incentive Plan securities excluded from dilution[(1)]	2,146	5,189	3,338	4,974

(1) Represents securities not included in the computation of diluted earnings per common share because their effect would have been anti-dilutive.

We calculate earnings per share using the "two-class" method, whereby unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are "participating securities" and, therefore, these participating securities are treated as a separate class in computing earnings per share. The calculation of earnings per share presented here excludes the income attributable to unvested restricted stock units related to our Incentive Plan from the numerator and excludes the dilutive impact of those shares from the denominator. Awards subject to the achievement of performance conditions or market conditions for which such conditions had been met at the end of any of the fiscal periods presented are included in the computation of diluted earnings per common share if their effect was dilutive.

NOTE 12 — WARRANTY

The Company sells a number of products and offers a number of warranties. The specific terms and conditions of these warranties vary depending on the product sold. The Company's warranty liabilities are undiscounted and adjusted for inflation based on third party actuarial estimates. Factors that affect the Company's warranty liabilities include the number of units sold, historical and anticipated rates of warranty claims, cost per claim and new product introduction. Warranties are normally limited to replacement or service of defective components for the original customer. Some warranties are transferable to subsequent owners and are generally limited to ten years from the date of manufacture or require pro-rata payments from the customer. A provision for estimated warranty costs is recorded based on historical experience and the Company periodically adjusts these provisions to reflect actual experience. Warranty costs are included within cost of goods sold. The Company assesses the adequacy of the recorded warranty claims and adjusts the amounts as necessary. Separately, upon the sale of a weathertightness warranty in the Commercial segment, the Company records the resulting revenue as deferred revenue, which is included in other accrued expenses and other long-term liabilities on the consolidated balance sheets depending on when the revenues are expected to be recognized.

The following table represents the rollforward of our accrued warranty obligation and deferred warranty revenue activity for the nine months ended October 3, 2020 and September 28, 2019 (in thousands):

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Beginning balance	$ 216,173	$ 134,515
Acquisition	109	—
Purchase accounting adjustments	—	84,280
Warranties sold	1,885	2,313
Revenue recognized	(2,054)	(2,075)
Expense	23,257	22,006
Settlements	(22,645)	(22,285)
Ending balance	216,725	218,754
Less: current portion	27,201	31,294
Total, less current portion	$ 189,524	$ 187,460

The current portion of the warranty liabilities are recorded within other accrued expenses and the long-term portion of the warranty liabilities are recorded within other long-term liabilities in the Company's consolidated balance sheets.

NOTE 13 — DEFINED BENEFIT PLANS

RCC Pension Plan — With the acquisition of Robertson-Ceco II Corporation ("RCC") on April 7, 2006, we assumed a defined benefit plan (the "RCC Pension Plan"). Benefits under the RCC Pension Plan are primarily based on years of service and the employee's compensation. The RCC Pension Plan is frozen and, therefore, employees do not accrue additional service benefits. Plan assets of the RCC Pension Plan are invested in broadly diversified portfolios of government obligations, mutual funds, stocks, bonds, fixed income securities and master limited partnerships.

CENTRIA Benefit Plans — As a result of the CENTRIA Acquisition on January 16, 2015, we assumed noncontributory defined benefit plans covering certain hourly employees (the "CENTRIA Benefit Plans") which are closed to new participants. Benefits under the CENTRIA Benefit Plans are calculated based on fixed amounts for each year of service rendered, although benefits accruals for one of the plans previously ceased. Plan assets of the CENTRIA Benefit Plans are invested in broadly diversified portfolios of domestic and international equity mutual funds, bonds, mortgages and other funds. CENTRIA also sponsors postretirement medical and life insurance plans that cover certain of its employees and their spouses (the "OPEB Plans"). During the three months ended April 4, 2020, the Company closed its metal coil coating facility in Ambridge, Pennsylvania. The benefit plan associated with the Ambridge facility was frozen prior to the Company's acquisition of CENTRIA in fiscal 2015.

In addition to the CENTRIA Benefit Plans, CENTRIA contributes to a multi-employer plan, the Steelworkers Pension Trust. The minimum required annual contribution to this plan is $0.3 million. The current contract expires on June 1, 2022. If we were to withdraw our participation from this multi-employer plan, CENTRIA may be required to pay a withdrawal liability representing an amount based on the underfunded status of the plan. The plan is not significant to the Company's consolidated financial statements.

Ply Gem Pension Plans — As a result of the Merger on November 16, 2018, we assumed the Ply Gem Group Pension Plan (the "Ply Gem Plan") and the MW Manufacturers, Inc Retirement Plan (the "MW Plan"). The Ply Gem Plan was frozen during 1998, and no further increases in benefits for participants may occur as a result of increases in service years or compensation.

The MW Plan was frozen for salaried participants during 2004 and non-salaried participants during 2005. No additional participants may enter the plan, but increases in benefits for participants as a result of increase in service years or compensation will occur.

We refer to the RCC Pension Plan, the CENTRIA Benefit Plans, the Ply Gem Plan and the MW Plan collectively as the "Defined Benefit Plans" in this Note.

The following tables set forth the components of the net periodic benefit cost, before tax for the periods indicated (in thousands):

	Defined Benefit Plans			
	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Service cost	$ 11	$ 11	$ 34	$ 32
Interest cost	802	974	2,405	2,922
Expected return on assets	(1,398)	(1,234)	(4,193)	(3,701)
Amortization of prior service cost	16	15	47	43
Amortization of net actuarial loss	753	704	2,256	2,112
Net periodic benefit cost	$ 184	$ 470	$ 549	$ 1,408

	OPEB Plans			
	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Service cost	$ 4	$ 6	$ 13	$ 17
Interest cost	59	66	178	197
Amortization of net actuarial loss	27	—	81	—
Net periodic benefit cost	$ 90	$ 72	$ 272	$ 214

We expect to contribute $4.4 million to the Defined Benefit Plans and $0.8 million to OPEB Plans in the year ending December 31, 2020. Our policy is to fund the CENTRIA Benefit Plans as required by minimum funding standards of the Internal Revenue Code. The contributions to the OPEB Plans by retirees vary from none to 25% of the total premiums paid.

NOTE 14 — LONG-TERM DEBT

Debt is comprised of the following (in thousands):

	October 3, 2020	December 31, 2019
Asset-based revolving credit facility due April 2023	$ —	$ 70,000
Term loan facility due April 2025	2,504,372	2,523,587
Cash flow revolver due April 2023	—	—
8.00% senior notes due April 2026	645,000	645,000
6.125% senior notes due January 2029	500,000	—
Less: unamortized discounts and unamortized deferred financing costs[(1)]	(56,470)	(56,063)
Total long-term debt, net of unamortized discounts and unamortized deferred financing costs	3,592,902	3,182,524
Less: current portion of long-term debt	25,600	25,600
Total long-term debt, less current portion	$ 3,567,302	$ 3,156,924

(1) Includes the unamortized discounts associated with the term loan facility and 8.00 % senior notes due April 2026, and the unamortized deferred financing costs associated with the term loan facility and 6.125% senior notes due January 2029. The unamortized deferred financing costs associated with the asset-based revolving credit facilities of $1.9 million and $2.4 million as of October 3, 2020 and December 31, 2019, respectively, are classified in other assets on the consolidated balance sheets.

Term Loan Facility due April 2025 and Cash Flow Revolver due April 2023

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

On November 16, 2018, the Company entered into an incremental term loan facility in connection with the Merger, which increased the aggregate principal amount of the Current Term Loan Facility by $805.0 million. The proceeds of this incremental term loan facility were used to, among other things, (a) finance the Merger and to pay certain fees, premiums and expenses incurred in connection therewith, (b) repay in full amounts outstanding under the Pre-merger Term Loan Credit Agreement and the Pre-merger ABL Credit Agreement and (c) repay $325.0 million of borrowings outstanding under the ABL Facility. On November 16, 2018, in connection with the consummation of the Merger, NCI and Ply Gem Midco entered into a joinder agreement with respect to the Current Cash Flow Facilities, and the Company became the Borrower (as defined in the Current Cash Flow Credit Agreement) under the Current Cash Flow Facilities.

The Current Term Loan Facility bears annual interest at a floating rate measured by reference to, at the Company's option, either (i) an adjusted LIBOR rate (subject to a floor of 0.00%) plus an applicable margin of 3.75% per annum or (ii) an alternate base rate plus an applicable margin of 2.75% per annum. At October 3, 2020, the interest rates on the Current Term Loan Facility were as follows:

	October 3, 2020
Interest rate	3.9 %
Effective interest rate	6.51 %

The Company entered into certain interest rate swap agreements during 2019 to convert a portion of its variable rate debt to fixed. See Note 17 - *Fair Value of Financial Instruments and Fair Value Measurements*.

Loans outstanding under the Current Cash Flow Revolver bear annual interest at a floating rate measured by reference to, at the Company's option, either (i) an adjusted LIBOR rate (subject to a floor of 0.00%) plus an applicable margin ranging from 2.50% to 3.00% per annum depending on the Company's secured leverage ratio or (ii) an alternate base rate plus an applicable margin ranging from 1.50% to 2.00% per annum depending on the Company's secured leverage ratio. Additionally, unused commitments under the Current Cash Flow Revolver are subject to a fee ranging from 0.25% to 0.50% per annum depending on the Company's secured leverage ratio. At October 3, 2020, the weighted average interest rate on the Current Cash Flow Revolver was 3.31%.

The Current Term Loan Facility and Current Cash Flow Revolver may be prepaid at the Company's option at any time without premium or penalty (other than customary breakage costs), subject to minimum principal amount requirements.

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

- the net cash proceeds of (1) certain asset sales, (2) certain debt offerings and (3) certain insurance recovery and condemnation events; and
- 50% of annual excess cash flow (as defined in the Cash Flow Credit Agreement), subject to reduction to 25% and 0% if specified secured leverage ratio targets are met to the extent that the amount of such excess cash flow exceeds $10.0 million. For 2019, no payments were required under the excess cash flow calculation.

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

- a perfected security interest in substantially all tangible and intangible assets of the Company and each subsidiary guarantor (other than ABL Priority Collateral (as defined below)), including the capital stock of each direct material wholly-owned U.S. restricted subsidiary owned by the Company and each subsidiary guarantor, and 65% of the capital stock of any non-U.S. subsidiary held directly by the Company or any subsidiary guarantor, subject to certain exceptions (the "Cash Flow Priority Collateral"), which security interest will be senior to the security interest in the foregoing assets securing the Current ABL Facility; and
- a perfected security interest in the ABL Priority Collateral, which security interest will be junior to the security interest in the ABL Priority Collateral securing the Current ABL Facility.

The Current Cash Flow Revolver includes a financial covenant set at a maximum secured leverage ratio of 7.75:1.00, which will apply if the outstanding amount of loans and drawings under letters of credit which have not then been reimbursed exceeds a specified threshold at the end of any fiscal quarter.

ABL Facility due April 2023

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

On October 15, 2018, Ply Gem Midco entered into an incremental asset-based revolving credit facility of $36.0 million, which upsized the Current ABL Facility to $396.0 million in the aggregate, and with (x) the ABL U.S. Facility being increased from $285.0 million to $313.5 million and (y) the ABL Canadian Facility being increased from $75.0 million to $82.5 million.

On November 16, 2018, Ply Gem Midco entered into an incremental asset-based revolving credit facility of $215.0 million in connection with the Merger, which upsized the Current ABL Facility to $611.0 million in the aggregate, and with (x) the ABL U.S. Facility being increased from $313.5 million to approximately $483.7 million and (y) the ABL Canadian Facility being increased from $82.5 million to approximately $127.3 million. On November 16, 2018, in connection with the consummation of the Merger, the Company and Ply Gem Midco entered into a joinder agreement with respect to the Current ABL Facility, and the Company became the Parent Borrower (as defined in the ABL Credit Agreement) under the Current ABL Facility.

Borrowing availability under the Current ABL Facility is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of eligible inventory, eligible accounts receivable and eligible credit card receivables, less certain reserves and subject to certain other adjustments as set forth in the Current ABL Credit Agreement. Availability is reduced by issuance of letters of credit as well as any borrowings. As of October 3, 2020, the Company had the following in relation to the Current ABL Facility (in thousands):

	October 3, 2020
Excess availability	$ 570,000
Revolving loans outstanding	—
Letters of credit outstanding	36,500

Loans outstanding under the Current ABL Facility bear interest at a floating rate measured by reference to, at the Company's option, either (i) an adjusted LIBOR rate (subject to a LIBOR floor of 0.00%) plus an applicable margin ranging from 1.25% to 1.75% per annum depending on the average daily excess availability under the Current ABL Facility or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 0.75% per annum depending on the average daily excess availability under the ABL Facility. Additionally, unused commitments under the ABL Facility are subject to a 0.25% per annum fee. At October 3, 2020, the weighted average interest rate on the Current ABL Facility was 1.87%.

The obligations under the Current ABL Credit Agreement are guaranteed by each direct and indirect wholly-owned U.S. restricted subsidiary of the Company, subject to certain exceptions, and are secured by:

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

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

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

8.00% Senior Notes due April 2026

On April 12, 2018, Ply Gem Midco issued $645.0 million at a discount of 2.25% in aggregate principal amount of 8.00% Senior Notes due April 2026 (the "8.00% Senior Notes"). The 8.00% Senior Notes bear interest at 8.00% per annum and will mature on April 15, 2026. Interest is payable semi-annually in arrears on April 15 and October 15. The effective interest rate for the 8.00% Senior Notes was 8.64% as of October 3, 2020, after considering each of the different interest expense components of this instrument, including the coupon payment and the deferred debt issuance costs.

On November 16, 2018, in connection with the consummation of the Merger, the Company entered into a supplemental indenture and assumed the obligations of Ply Gem Midco as issuer under the Current Indenture.

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

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

- prior to April 15, 2021, the Company may redeem the 8.00% Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to but not including the redemption date, plus the applicable make-whole premium;
- prior to April 15, 2021, the Company may redeem up to 40.0% of the original aggregate principal amount of the 8.00% Senior Notes with proceeds of certain equity offerings, at a redemption price of 108%, plus accrued and unpaid interest, if any, to but not including the redemption date; and
- on or after April 15, 2021, the Company may redeem the 8.00% Senior Notes at specified redemption prices starting at 104% and declining ratably to 100.0% by April 15, 2023, plus accrued and unpaid interest, if any, to but not including the redemption date.

6.125% Senior Notes due January 2029

On September 24, 2020, the Company issued $500.0 million in aggregate principal amount of 6.125% Senior Notes due January 2029 ("the 6.125% Senior Notes"). Proceeds from the 6.125% Senior Notes were used to repay outstanding amounts under the Company's Current ABL Facility and Current Cash Flow Revolver. The 6.125% Senior Notes bear interest at 6.125% per annum and will mature on January 15, 2029. Interest is payable semi-annually in arrears on January 15 and July 15 commencing on January 15, 2021.

The 6.125% Senior Notes are guaranteed on a senior unsecured basis by each of the Company's existing and future wholly-owned domestic subsidiaries that guarantee the Company's obligations under the Current Cash Flow Facilities or the Current ABL Facility (including by reason of being a borrower under the Current ABL Facility on a joint and several basis with the Company or a subsidiary guarantor). The 6.125% Senior Notes are unsecured senior indebtedness and are effectively subordinated to all of the Company's existing and future senior secured indebtedness, including indebtedness under the Company's Term Loan Facility, Current Cash Flow Revolver and Current ABL Facility, and are senior in right of payment to future subordinated indebtedness of the Company.

The Company may redeem the 6.125% Senior Notes in whole or in part at any time as set forth below:

- prior to September 15, 2023, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to but not including the redemption date, plus the applicable make-whole premium;
- prior to September 15, 2023, up to 40% of the aggregate principal amount with the proceeds of certain equity offerings at a redemption price of 106.125% plus accrued and unpaid interest, if any, to but not including the redemption date;
- on or after September 15, 2023 and prior to September 15, 2024, at a price equal to 103.063% of the principal amount thereof, plus accrued and unpaid interest, if any, to but not including the redemption date;
- on or after September 15, 2024 and prior to September 15, 2025, at a price equal to 101.531% of the principal amount thereof, plus accrued and unpaid interest, if any, to but not including the redemption date; and

- on or after September 15, 2025, at a price equal to 100.000% of the principal amount thereof, plus accrued and unpaid interest, if any, to but not including the redemption date.

Debt Covenants

The Company's debt agreements contain a number of covenants that, among other things, limit or restrict the ability of the Company and its subsidiaries to incur additional indebtedness; make dividends and other restricted payments; incur additional liens; consolidate, merge, sell or otherwise dispose of all or substantially all assets; make investments; transfer or sell assets; enter into restrictive agreements; change the nature of the business; and enter into certain transactions with affiliates. As of October 3, 2020, the Company was in compliance with all covenants that were in effect on such date.

NOTE 15 — CD&R INVESTOR GROUP

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the "Investment Agreement"), by and between the Company and Clayton, Dubilier & Rice Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R Fund VIII"). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the "Old Stockholders Agreement"), CD&R Fund VIII and CD&R Friends & Family Fund VIII, L.P., a Cayman Islands exempted limited partnership ("CD&R FF Fund" and, together with CD&R Fund VIII, the "CD&R Fund VIII Investor Group") purchased convertible preferred stock of the Company, which was converted into shares of our common stock on May 14, 2013.

Ply Gem Holdings was acquired by CD&R Fund X and Atrium Intermediate Holdings, LLC, GGC BP Holdings, LLC and AIC Finance Partnership, L.P. (collectively, the "Golden Gate Investor Group") and merged with Atrium on April 12, 2018 (the "Ply Gem-Atrium Merger").

Pursuant to the terms of the Merger Agreement, on November 16, 2018, the Company entered into (i) a stockholders agreement (the "New Stockholders Agreement") between the Company, and each of the CD&R Fund VIII Investor Group, CD&R Pisces Holdings, L.P., a Cayman Islands exempted limited partnership ("CD&R Pisces", and together with the CD&R Fund VIII Investor Group, the "CD&R Investor Group") and the Golden Gate Investor Group (together with the CD&R Investor Group, the "Investors"), pursuant to which the Company granted to the Investors certain governance, preemptive and subscription rights and (ii) a registration rights agreement (the "New Registration Rights Agreement") between the Company and each of the Investors, pursuant to which the Company granted the Investors customary demand and piggyback registration rights, including rights to demand registrations and underwritten shelf registration statement offerings with respect to the shares of the Company's Common Stock that are held by the Investors following the consummation of the Merger.

On August 25, 2020, the Company filed a shelf registration statement on Form S-3, declared effective by the SEC on September 2, 2020, registering the resale of shares of the Company's Common Stock held by CD&R Pisces. The Company had previously registered the resale of shares of the Company's Common Stock held by the CD&R Fund VIII Investor Group and the Golden Gate Investor Group.

Pursuant to the terms of the New Stockholders Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Old Stockholders Agreement. Pursuant to the terms of the New Registration Rights Agreement, the Company and the CD&R Fund VIII Investor Group terminated the Registration Rights Agreement, dated as of October 20, 2009 (the "Old Registration Rights Agreement"), by and among the Company and the CD&R Fund VIII Investor Group.

As of October 3, 2020 and December 31, 2019, the CD&R Investor Group owned approximately 49.5% and 49.1% of the outstanding shares of the Company's Common Stock, respectively.

NOTE 16 — STOCK REPURCHASE PROGRAM

On October 10, 2017 and March 7, 2018, the Company announced that its Board of Directors authorized new stock repurchase programs for the repurchase of up to an aggregate of $50.0 million and an additional $50.0 million, respectively, of the Company's outstanding Common Stock for a cumulative total of $100.0 million. Under these repurchase programs, the Company is authorized to repurchase shares, if at all, at times and in amounts that it deems appropriate in accordance with all applicable securities laws and regulations. Shares repurchased pursuant to the repurchase programs are usually retired. There is no time limit on the duration of the programs.

During the nine months ended October 3, 2020, the Company repurchased 1.1 million shares for $6.4 million under the stock repurchase programs. There were no stock repurchases under the stock repurchase programs during the nine months ended September 28, 2019. As of October 3, 2020, $49.1 million remained available for stock repurchases under the program announced on March 7, 2018. The timing and method of any repurchases, which will depend on a variety of factors, including market conditions, are subject to results of operations, financial conditions, cash requirements and other factors, and may be suspended or discontinued at any time.

During the nine months ended October 3, 2020 and September 28, 2019, the Company withheld approximately 0.1 million and thirty-five thousand shares, respectively, of stock to satisfy minimum tax withholding obligations arising in connection with the vesting of stock awards, which are included in treasury stock purchases in the consolidated statements of stockholders' equity.

During the nine months ended October 3, 2020, the Company cancelled approximately 1.2 million shares related to shares withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of stock awards and shares repurchased under the stock repurchase programs, resulting in a $6.9 million decrease in both treasury stock and additional paid in capital. During the nine months ended September 28, 2019, the Company cancelled 0.1 million shares related to shares withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of stock awards and shares repurchased under the stock repurchase programs, resulting in a $0.7 million decrease in both treasury stock and additional paid in capital.

NOTE 17 — FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash, trade accounts receivable, accounts payable and notes payable approximate fair value as of October 3, 2020 and December 31, 2019, respectively, because of their relatively short maturities. The carrying amounts of the indebtedness under the Current ABL Facility and Current Cash Flow Revolver approximate fair value as the interest rates are variable and reflective of market rates. At October 3, 2020, there were no borrowings outstanding under the Current ABL Facility and the Current Cash Flow Revolver. The fair values of the remaining financial instruments not currently recognized at fair value on our consolidated balance sheets at the respective period ends were (in thousands):

	October 3, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term Loan Facility	$ 2,504,372	$ 2,479,328	$ 2,523,587	$ 2,514,906
8.00% Senior Notes	645,000	675,638	645,000	670,800
6.125% Senior Notes	500,000	505,000	—	—

The fair value of the term loan facility was based on recent trading activities of comparable market instruments, which are level 2 inputs and the fair values of the 8.00% and 6.125% senior notes were based on quoted prices in active markets for the identical liabilities, which are level 1 inputs.

Fair Value Measurements

ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs.

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of October 3, 2020 and December 31, 2019.

Money market: Money market funds have original maturities of three months or less. The original cost of these assets approximates fair value due to their short-term maturity.

Mutual funds: Mutual funds are valued at the closing price reported in the active market in which the mutual fund is traded.

Assets held for sale: Assets held for sale are valued based on current market conditions, prices of similar assets in similar condition and expected proceeds from the sale of the assets, representative of Level 3 inputs.

Deferred compensation plan liability: Deferred compensation plan liability is comprised of phantom investments in the deferred compensation plan and is valued at the closing price reported in the active markets in which the money market and mutual funds are traded.

Interest rate swap liability: Interest rate swap liabilities are based on cash flow hedge contracts that have fixed rate structures and are measured against market-based LIBOR yield curves. These interest rate swaps were classified within Level 2 of the fair value hierarchy because they were valued using alternative pricing sources or models that utilized market observable inputs, including current and forward interest rates.

The following tables summarize information regarding our financial assets and liabilities that are measured at fair value on a recurring basis as of October 3, 2020 and December 31, 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	October 3, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments in deferred compensation plan[1]:				
Money market	$ 197	$ —	$ —	$ 197
Mutual funds – Growth	397	—	—	397
Mutual funds – Blend	890	—	—	890
Mutual funds – Foreign blend	282	—	—	282
Mutual funds – Fixed income	—	151	—	151
Total short-term investments in deferred compensation plan[2]	1,766	151	—	1,917
Total assets	$ 1,766	$ 151	$ —	$ 1,917
Liabilities:				
Deferred compensation plan liability[2]	$ —	$ 2,154	$ —	$ 2,154
Interest rate swap liability[3]	—	83,304	—	83,304
Total liabilities	$ —	$ 85,458	$ —	$ 85,458

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments in deferred compensation plan[1]:				
Money market	$ 2	$ —	$ —	$ 2
Mutual funds – Growth	1,044	—	—	1,044
Mutual funds – Blend	1,769	—	—	1,769
Mutual funds – Foreign blend	572	—	—	572
Mutual funds – Fixed income	—	389	—	389
Total short-term investments in deferred compensation plan[2]	3,387	389	—	3,776
Total assets	$ 3,387	$ 389	$ —	$ 3,776
Liabilities:				
Deferred compensation plan liability[2]	$ —	$ 3,847	$ —	$ 3,847
Interest rate swap liability[3]	—	29,988	—	29,988
Total liabilities	$ —	$ 33,835	$ —	$ 33,835

(1) Unrealized holding losses for the three months ended September 28, 2019 were $0.1 million. Unrealized holding gains (losses) for the nine months ended October 3, 2020 and September 28, 2019 were $(0.7) million and $0.4 million, respectively. These unrealized holding gains (losses) were substantially offset by changes in the deferred compensation plan liability.

(2) The Company records the short-term investments in deferred compensation plan within investments in debt and equity securities, at market, and the deferred compensation plan liability within accrued compensation and benefits on the consolidated balance sheets.

(3) In May 2019, the Company entered into four-year interest rate swaps to mitigate variability in forecasted interest payments on $1,500.0 million of the Company's term loan secured variable debt. The interest rate swaps effectively convert a portion of the floating rate interest payments into a fixed rate interest payment. There are three interest rate swaps that cover $500.0

million of notional debt each and fix the interest rate at 5.918%, 5.906% and 5.907%, respectively. The Company designated the interest rate swaps as qualifying hedging instruments and accounts for these derivatives as cash flow hedges. The interest rate swap liability is included within other long-term liabilities on the consolidated balance sheets.

NOTE 18 — INCOME TAXES

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

For the nine months ended October 3, 2020, the Company's estimated annual effective income tax of ordinary forecasted book income excluding the goodwill impairment was approximately 40.0%, which varied from the statutory rate primarily due to state income tax expense, valuation allowances, and foreign income taxes. For the nine months ended October 3, 2020, the effective tax rate was 2.5%, which varied from the annual effective tax rate due to the following discrete items recorded during the period: unrecognized tax benefits, adjustments to state income tax rates, and goodwill impairment.

Valuation allowance

As of October 3, 2020, the Company remains in a valuation allowance position, in the amount of $11.3 million, against its deferred tax assets for certain state jurisdictions for certain entities as it is currently deemed “more likely than not” that the benefit of such net tax assets will not be utilized as the Company continues to be in a three-year cumulative loss position for these state jurisdictions. The Company will continue to monitor the positive and negative factors for these jurisdictions and make further changes to the valuation allowances as necessary.

Unrecognized tax benefits

Despite the Company’s belief that its tax return positions are consistent with applicable tax laws, the Company believes that certain positions could be challenged by taxing authorities. The Company’s tax reserves reflect the difference between the tax benefit claimed on tax returns and the amount recognized in the consolidated financial statements. These reserves have been established based on management’s assessment as to potential exposure attributable to permanent differences and interest and penalties applicable to both permanent and temporary differences. The tax reserves are reviewed periodically and adjusted in light of changing facts and circumstances, such as progress of tax audits, lapse of applicable statutes of limitations and changes in tax law. The Company is currently under examination by various taxing authorities. During the nine months ended October 3, 2020, the tax reserves increased by approximately $0.6 million. The increase is primarily due to additional interest expense related to previously recorded unrecognized tax benefits.

The liability for unrecognized tax benefits as of October 3, 2020 was approximately $12.5 million and is recorded in other long-term liabilities in the accompanying consolidated balance sheet.

CARES Act

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act, among other things, includes tax provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss utilization and carryback periods, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property (QIP). Specifically, the CARES Act amends IRC §163(j) for tax years 2019 and 2020. The CARES Act increases the 30% adjusted taxable income threshold to 50% and allows taxpayers to elect to use their 2019 adjusted taxable income as their adjusted taxable income in the 2020 §163(j) calculation. The combination of these two factors will allow the Company to deduct additional interest expense for income tax purposes that would have been previously disallowed. The Company continues to evaluate the impact of the CARES Act on our financial position, results of operations, and cash flows. During July 2020, the Department of Treasury issued several Final and Proposed Regulations related to the Tax Cuts and Jobs Act, including those related to the §250 deduction, global intangible low-taxed income (“GILTI”) and the §163(j) interest limitation. We are evaluating the impact of the Regulations on our income tax balances.

NOTE 19 — SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities for which discrete financial information is available and is evaluated on a regular basis by the chief operating decision maker to make decisions regarding the allocation of resources to the segment and assess the performance of the segment. The Company has three reportable segments: Windows, Siding and Commercial.

These operating segments follow the same accounting policies used for our consolidated financial statements. We evaluate a segment's performance based primarily upon operating income before corporate expenses.

Corporate assets consist primarily of cash, investments, prepaid expenses, current and deferred taxes and property, plant and equipment associated with our headquarters in Cary, North Carolina and office in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the operating segments. Corporate unallocated expenses include share-based compensation expenses, restructuring charges, acquisition costs, and other expenses related to executive, legal, finance, tax, treasury, human resources, information technology and strategic sourcing, and corporate travel expenses. Additional unallocated amounts primarily include non-operating items such as interest income, interest expense and other income (expense).

The following table represents summary financial data attributable to the segments for the periods indicated (in thousands):

	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net sales:				
Windows	$ 501,314	$ 504,338	$ 1,378,039	$ 1,434,579
Siding	321,898	315,799	848,190	840,601
Commercial	404,041	464,906	1,199,771	1,370,152
Total net sales	$ 1,227,253	$ 1,285,043	$ 3,426,000	$ 3,645,332
Operating income (loss):				
Windows	$ 37,295	$ 34,446	$ (252,794)	$ 62,039
Siding	45,313	37,063	(92,916)	51,346
Commercial	56,137	59,317	109,642	142,436
Corporate	(34,766)	(35,266)	(101,819)	(106,695)
Total operating income (loss)	103,979	95,560	(337,887)	149,126
Unallocated other expense, net	(50,402)	(56,293)	(159,056)	(170,894)
Income (loss) before taxes	$ 53,577	$ 39,267	$ (496,943)	$ (21,768)

	October 3, 2020	December 31, 2019
Total assets:		
Windows	$ 1,820,255	$ 2,166,220
Siding	2,158,395	2,289,310
Commercial	878,623	963,291
Corporate	617,708	145,525
Total assets	$ 5,474,981	$ 5,564,346

NOTE 20 — CONTINGENCIES

As a manufacturer of products primarily for use in building construction, the Company is inherently exposed to various types of contingent claims, both asserted and unasserted, in the ordinary course of business. As a result, from time to time, the Company and/or its subsidiaries become involved in various legal proceedings or other contingent matters arising from claims or potential claims. The Company insures against these risks to the extent deemed prudent by its management and to the extent insurance is available. Many of these insurance policies contain deductibles or self-insured retentions in amounts the Company deems prudent and for which the Company is responsible for payment. In determining the amount of self-insurance, it is the Company's policy to self-insure those losses that are predictable, measurable and recurring in nature. The Company regularly reviews the status of ongoing proceedings and other contingent matters along with legal counsel. Liabilities for such items are recorded when it is probable that the liability has been incurred and when the amount of the liability can be reasonably estimated. Liabilities are adjusted when additional information becomes available. Management believes that the ultimate disposition of these matters will not have a material adverse effect on the Company's results of operations, financial position or cash flows. However, such matters are subject to many uncertainties and outcomes are not predictable with assurance.

Environmental

The Company's operations are subject to various federal, state, local and foreign environmental, health and safety laws. Among other things, these laws regulate the emissions or discharge of materials into the environment; govern the use, storage, treatment, disposal and management of hazardous substances and wastes; protect the health and safety of our employees and the end-users of our products; regulate the materials used to manufacture our products; and impose liability for the costs of investigating and remediating present and past releases of hazardous substances. Violations of these laws or of any conditions contained in Company environmental permits can result in substantial fines or corrective consent orders, injunctive relief, requirements to install pollution control or other environmental-related equipment, and civil sanctions.

We could be held liable for costs to investigate, remediate or otherwise address contamination at any real property we have ever owned, operated or used as a disposal site, or at other sites where we or predecessors may have released hazardous materials. We could incur fines, penalties or sanctions or be subject to third-party claims, including indemnification claims, for property damage, personal injury or otherwise as a result of violations of (or liabilities under) environmental, health and safety laws, or in connection with releases of hazardous materials.

One of the Company's subsidiaries entered into an Administrative Order on Consent (the "Consent Order") with the United States Environmental Protection Agency ("EPA"), under the Resource Conservation and Recovery Act ("RCRA") Corrective Action Program, in September 2011 to address known releases of hazardous substances at its Rocky Mount, Virginia facility. A Phase I RCRA Facility Investigation ("RFI") was submitted to the Virginia Department of Environmental Quality ("VDEQ") in December 2015, and a Phase II RFI and Human Health Risk Assessment and Baseline Ecological Risk Assessment were submitted in October 2018. A Limited Corrective Measures Study ("LCM") based on these investigations was approved by the VDEQ in January 2020. Current estimates of remaining costs for predicted assessment, remediation and monitoring activities as of October 3, 2020 are $4.5 million. The Company has recorded approximately $1.0 million of this environmental liability within current liabilities at October 3, 2020 and approximately $3.5 million within other long-term liabilities in the Company's consolidated balance sheets at October 3, 2020.

The EPA is investigating groundwater contamination at a Superfund site in York, Nebraska referred to as the PCE/TCE Northeast Contamination Site ("PCE/TCE Site"). A subsidiary of the Company has been named a potentially responsible party ("PRP") with respect to the PCE/TCE Site and has liability for investigation and remediation costs associated with the contamination. In May 2019, the subsidiary and an unrelated respondent entered into an Administrative Settlement Agreement and Order on Consent with the EPA to conduct a Remedial Investigation/Feasibility Study ("RI/FS") of the PCE/TCE Site. A final RI/FS Work Plan was submitted to the EPA in November 2019 and approved in December 2019. RI Phase I field work began in February 2020 but was paused in March 2020 due to the COVID-19 pandemic. The Company has recorded a liability of $4.6 million within other long-term liabilities in its consolidated balance sheets as of October 3, 2020. We will adjust our remediation liability in future periods, if necessary, as the RI/FS progresses or if additional requirements are imposed. We may be able to recover a portion of costs incurred in connection with the PCE/TCE Site from other responsible parties, although there are no assurances that we will receive any funds.

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

Litigation

The Company believes it has valid defenses to the outstanding claims discussed below and will vigorously defend all such claims; however, litigation is subject to many uncertainties and there cannot be any assurance that the Company will ultimately

prevail or, in the event of an unfavorable outcome or settlement of litigation, that the ultimate liability would not be material and would not have a material adverse effect on the business, results of operations, cash flows or financial position of the Company.

In November 2018, Aurora Plastics, LLC ("Aurora") initiated an arbitration demand against Atrium Windows and Doors, Inc., Atrium Extrusion Systems, Inc., and North Star Manufacturing (London) Ltd. (collectively, "Atrium") pursuant to a Third Amended and Restated Vinyl Compound and Supply Agreement dated as of December 22, 2016. A settlement was reached in this case during the fourth quarter of 2019. The Company has a $7.6 million liability as of October 3, 2020 related to this settlement, of which $3.6 million is held within other current liabilities with the remaining in long-term liabilities in the consolidated balance sheets.

On November 14, 2018, an individual stockholder, Gary D. Voigt, filed a putative class action Complaint in the Delaware Court of Chancery against Clayton Dubilier & Rice, LLC ("CD&R"), Clayton, Dubilier & Rice Fund VIII, L.P. ("CD&R Fund VIII"), and certain directors of the Company. Voigt purports to assert claims on behalf of himself, on behalf of a class of other similarly situated stockholders of the Company, and derivatively on behalf of the Company, the nominal defendant. An Amended Complaint was filed on April 11, 2019. The Amended Complaint asserts claims for breach of fiduciary duty and unjust enrichment against CD&R Fund VIII and CD&R, and for breach of fiduciary duty against twelve director defendants in connection with the Merger. Defendants moved to dismiss the Amended Complaint and, on February 10, 2020, the court denied the motions except as to four of the director defendants. Voigt seeks damages in an amount to be determined at trial.

Other contingencies

The Company's imports of fabricated structural steel ("FSS") from its Mexican affiliate, Building Systems de Mexico S.A. de C.V. ("BSM") were subject to antidumping ("AD") and countervailing duty ("CVD") tariff proceedings before the U.S. Department of Commerce ("DOC") and the U.S. International Trade Commission ("USITC"). The proceedings were initiated in February 2019 by the American Institute of Steel Construction against FSS being imported into the USA from Mexico, Canada, and China. In 2019, the DOC issued preliminary tariff rates and in 2020 finalized CVD and AD tariff rates of 0% and 8.47%, respectively, for the Company's imports of FSS from BSM. However, in February 2020, in a 3 to 2 vote, the USITC concluded there was no injury or threat of injury to the domestic FSS industry. In March 2020 the USITC opinion was published in the Federal Register, ceasing the Company's requirement to pay the AD and CVD tariffs. The Company has received full reimbursement for the $4.1 million in tariffs previously deposited with United States Customs and Border Protection and recorded a reduction in costs of sales during the three months ended October 3, 2020. This matter has been appealed and the Company will continue to vigorously advocate its position that its import of FSS from BSM should not be subject to any CVD or AD tariffs.

The Company is subject to other contingencies, including legal proceedings and claims arising out of its operations and businesses that cover a wide range of matters, including, among others, environmental, contract, employment, intellectual property, securities, personal injury, property damage, product liability, warranty, and modification, adjustment or replacement of component parts or units sold, which may include product recalls. Product liability, environmental and other legal proceedings also include matters with respect to businesses previously owned. The Company has used various substances in products and manufacturing operations, which have been or may be deemed to be hazardous or dangerous, and the extent of its potential liability, if any, under environmental, product liability and workers' compensation statutes, rules, regulations and case law is unclear. Further, due to the lack of adequate information and the potential impact of present regulations and any future regulations, there are certain circumstances in which no range of potential exposure may be reasonably estimated. Also, it is not possible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities, including lawsuits, and therefore no such estimate has been made as of October 3, 2020.

CORNERSTONE BUILDING BRANDS, INC.

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

The following information should be read in conjunction with the unaudited consolidated financial statements included herein under "Item 1. Unaudited Consolidated Financial Statements" and the audited consolidated financial statements and the notes thereto and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

FORWARD LOOKING STATEMENTS

This Quarterly Report includes statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. In some cases, our forward-looking statements can be identified by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "will," "target" or other similar words. We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on any forward-looking information, including any earnings guidance, if applicable. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these expectations and the related statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those projected. These risks, uncertainties and other factors include, but are not limited to:

- industry cyclicality and seasonality and adverse weather conditions;
- challenging economic conditions affecting the nonresidential construction industry;
- downturns in the residential new construction and repair and remodeling end markets, or the economy or the availability of consumer credit;
- volatility in the United States ("U.S.") economy and abroad, generally, and in the credit markets;
- the severity, duration and spread of the COVID-19 pandemic, as well as actions that may be taken by the Company or governmental authorities to contain COVID-19 or to treat its impact;
- an impairment of our goodwill and/or intangible assets;
- our ability to successfully develop new products or improve existing products;
- the effects of manufacturing or assembly realignments;
- seasonality of the business and other external factors beyond our control;
- commodity price volatility and/or limited availability of raw materials, including steel, PVC resin, glass and aluminum;
- our ability to identify and develop relationships with a sufficient number of qualified suppliers and to avoid a significant interruption in our supply chains;
- retention and replacement of key personnel;
- enforcement and obsolescence of our intellectual property rights;
- costs related to compliance with, violations of or liabilities under environmental, health and safety laws;
- changes in building codes and standards;
- competitive activity and pricing pressure in our industry;
- our ability to make strategic acquisitions accretive to earnings;
- our ability to carry out our restructuring plans and to fully realize the expected cost savings;
- global climate change, including legal, regulatory or market responses thereto;

- breaches of our information system security measures;
- damage to our computer infrastructure and software systems;
- necessary maintenance or replacements to our enterprise resource planning technologies;
- potential personal injury, property damage or product liability claims or other types of litigation;
- compliance with certain laws related to our international business operations;
- increases in labor costs, potential labor disputes, union organizing activity and work stoppages at our facilities or the facilities of our suppliers;
- significant changes in factors and assumptions used to measure certain of our defined benefit plan obligations and the effect of actual investment returns on pension assets;
- the cost and difficulty associated with integrating and combining acquired businesses;
- volatility of the Company's stock price;
- substantial governance and other rights held by the Investors;
- the effect on our common stock price caused by transactions engaged in by the Investors, our directors or executives;
- our substantial indebtedness and our ability to incur substantially more indebtedness;
- limitations that our debt agreements place on our ability to engage in certain business and financial transactions;
- our ability to obtain financing on acceptable terms;
- downgrades of our credit ratings;
- the effect of increased interest rates on our ability to service our debt; and
- other risks detailed under the caption "Risk Factors" in this Quarterly Report on Form 10-Q, and in Part I, Item 1A in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "2019 Form 10-K"), and other filings we make with the SEC.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report, including those described under the caption "Risk Factors" in this report and the 2019 Form 10-K, and other risks described in documents subsequently filed by the Company from time to time with the SEC. We expressly disclaim any obligations to release publicly any updates or revisions to these forward-looking statements to reflect any changes in our expectations unless the securities laws require us to do so.

OVERVIEW

Cornerstone Building Brands, Inc. (together with its subsidiaries, unless the context requires otherwise, the "Company," "Cornerstone," "we," "us" or "our") is a leading manufacturer of exterior building products in North America. The Company serves residential and commercial customers across new construction and the repair & remodel markets. Our mission is to be relentlessly committed to our customers and to create great building solutions that enable communities to grow and thrive. We believe that by focusing on operational excellence every day, creating a platform for future growth and investing in market-leading residential and commercial building brands, we will deliver unparalleled financial results. We design, engineer, manufacture, install and market external building products through our three operating segments, Windows, Siding, and Commercial. Our manufacturing processes are vertically integrated, which we believe provides cost and competitive advantages. As the #1 manufacturer of vinyl windows, vinyl siding, insulated metal panels, metal roofing and wall systems and metal accessories, Cornerstone Building Brands combines a diverse portfolio of products with an expansive national footprint that includes approximately 20,000 employees at manufacturing, distribution and office locations throughout North America.

Our sales and earnings are subject to both seasonal and cyclical trends and are influenced by general economic conditions, interest rates, the price of material costs relative to other building materials, the level of residential and nonresidential construction activity, roof repair and retrofit demand and the availability and cost of financing for construction projects. Our sales normally are lower in the first and fourth quarters of each fiscal year compared to the second and third quarters because of unfavorable weather conditions for construction and typical business planning cycles affecting construction.

The Company's current fiscal quarters are based on a four-four-five week calendar with periods ending on the Saturday of the last week in the quarter except for December 31st, which will always be the year-end date. Therefore, the financial results of certain fiscal quarters may not be comparable to prior fiscal quarters.

Kleary Acquisition

On March 2, 2020, the Company acquired 100% of the issued and outstanding shares of the common stock of Kleary Masonry, Inc. ("Kleary") for total consideration of $40.0 million. The transaction was financed with cash on hand and through borrowings under the Company's asset-based revolving credit facility. Kleary primarily services residential customers with manufactured stone installations and commercial customers with manufactured wall installations in the Sacramento, California area. Kleary's results are reported within the Siding business segment.

Environmental Stoneworks Acquisition

On January 12, 2019, the Company entered into a Unit Purchase Agreement (the "Purchase Agreement") with Environmental Materials, LLC, a Delaware limited liability company ("ESW"), the Members of Environmental Materials, LLC (the "Sellers") and Charles P. Gallagher and Wayne C. Kocourek, solely in their capacity as the Seller Representative (as defined in the Purchase Agreement), pursuant to which, on February 20, 2019, the Company's wholly-owned subsidiary, Ply Gem Industries, Inc., purchased from the Sellers 100% of the outstanding limited liability company interests of ESW (the "Environmental Stoneworks Acquisition") for total consideration of $182.6 million, subject to post-closing adjustments. The transaction was financed through borrowings under the Company's asset-based revolving credit facility.

COVID-19 Update

We experienced a significant decrease in customer demand across all our markets during the second quarter of 2020 due to the COVID-19 pandemic mostly due to delays in construction activity driven by temporary closures of non-life sustaining businesses. The continuing impact of the pandemic on our future consolidated results of operations is uncertain, and we expect net sales for 2020 to be lower as compared to 2019. As a result, the Company quickly implemented a range of actions aimed at reducing costs and preserving liquidity. These actions included the closure of our Ambridge, Pennsylvania Commercial facility and Corona, California Windows facility, permanent workforce reductions, employee furloughs, a hiring freeze, a deferral of annual wage raises, and reducing discretionary and non-essential expenses, such as consulting expenses. Additionally, we reduced capital expenditures to focus on key strategic initiatives, such as automation, product innovation, and critical maintenance items. We believe our business model, our existing balances of domestic cash and cash equivalents, currently anticipated operating cash flows, and overall liquidity will be sufficient to meet our cash needs arising in the ordinary course of business for the next twelve months and positions us to manage our business through this crisis as it continues to unfold. We will continue to evaluate the nature and extent of the COVID-19 pandemic's impact on our financial condition, results of operations and cash flows.

As of October 3, 2020, all manufacturing facilities were operational. Throughout this pandemic, the Company has been adhering to mandates and other guidance from local governments and health authorities, including the World Health Organization and the Centers for Disease Control and Prevention. The Company has taken extraordinary measures and invested significantly in practices to protect employees and reduce the risk of spreading the virus, while continuing to operate where permitted and to the extent possible. These actions include additional cleaning of our facilities, staggering crews, incorporating visual cues to reinforce social distancing, providing face coverings and gloves, as well as implementing daily health validation at our manufacturing and office facilities. The health and safety of our employees and our communities is our number one priority.

Ransomware attack

On August 9, 2020, we detected a ransomware attack impacting certain of its operational and information technology systems. Promptly upon its detection of the attack, we launched an investigation, notified law enforcement and engaged the services of specialized legal counsel and other incident response professionals. We were able to recover our critical operational data and business systems. The Company carries insurance, including cyber insurance, which is commensurate with its size and the nature of its operations. The incident did not have a material impact on its business, operations or financial condition.

RESULTS OF OPERATIONS

The following table represents key results of operations on a consolidated basis for the periods indicated:

	Three Months Ended				Nine Months Ended			
(Amounts in thousands)	October 3, 2020	September 28, 2019	$ change	% change	October 3, 2020	September 28, 2019	$ change	% change
Net sales	$ 1,227,253	$ 1,285,043	(57,790)	(4.5)%	$ 3,426,000	$ 3,645,332	(219,332)	(6.0)%
Gross profit	297,502	309,803	(12,301)	(4.0)%	783,120	800,383	(17,263)	(2.2)%
% of net sales	24.2 %	24.1 %			22.9 %	22.0 %		
Selling, general and administrative expenses	137,250	154,034	(16,784)	(10.9)%	436,575	466,368	(29,793)	(6.4)%
% of net sales	11.2 %	12.0 %			12.7 %	12.8 %		
Restructuring and impairment charges, net	2,918	4,984	(2,066)	(41.5)%	32,164	15,522	16,642	107.2 %
Strategic development and acquisition related costs	7,909	10,500	(2,591)	(24.7)%	13,550	36,668	(23,118)	(63.0)%
Interest expense	51,519	56,549	(5,030)	(8.9)%	158,738	173,134	(14,396)	(8.3)%
Net income (loss)	30,516	25,164	5,352	21.3 %	(484,658)	(17,320)	(467,338)	2,698.3 %

Net sales - Consolidated net sales for the three and nine months ended October 3, 2020 decreased by approximately 4.5% and 6.0%, respectively, as compared to the same period last year. The decrease was primarily due to lower demand across each of our business segments coupled with price effects from falling commodity costs as a result of the COVID-19 pandemic.

Gross profit % of net sales - The Company's gross profit percentage was 24.2% and 22.9% for the three and nine months ended October 3, 2020, respectively, which was 10 basis points and 90 basis points higher than the three and nine months ended September 28, 2019, respectively. Our disciplined focus on price leadership, aligning variable costs with volume, and structurally reducing fixed costs as part of cost savings initiatives, as well as lower raw material costs, were the main drivers of the gross profit as a percentage of net sales results.

Selling, general, and administrative expenses - The Company's selling, general, and administrative expenses decreased 10.9% and 6.4% during the three and nine months ended October 3, 2020, respectively, compared to the three and nine months ended September 28, 2019, respectively. The Company's restructuring and impairment costs decreased $2.1 million and increased $16.6 million during the three and nine months ended October 3, 2020, compared to the three and nine months ended September 28, 2019, respectively, primarily due to timing of severance costs as part of our ongoing efforts to rationalize operational and organizational structures and actions taken in response to the COVID-19 pandemic. Strategic development and acquisition costs decreased $2.6 million and $23.1 million, respectively, during the three and nine months ended October 3, 2020 compared to the same period last year as our merger-related activities have decreased, with no acquisitions during the three months ended October 3, 2020.

Segment Results of Operations

We report our segment information in the same way management internally organizes the business in assessing performance and making decisions regarding allocation of resources in accordance with ASC 280, *Segment Reportin*g. We have determined that we have three reportable segments, organized and managed principally by different industry sectors they serve. While the segments often operate using shared infrastructure, each reportable segment is managed to address specific customer needs in these diverse market sectors. We report all other business activities in Corporate and unallocated costs. Corporate assets consist primarily of cash, investments, prepaid expenses, current and deferred taxes and property, plant and equipment associated with our headquarters in Cary, North Carolina and office in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the operating segments. Corporate unallocated expenses include share-based compensation expenses, restructuring charges, acquisition costs, and other expenses related to executive, legal, finance, tax, treasury, human resources, information technology and strategic sourcing, and corporate travel expenses. Additional unallocated amounts primarily include non-operating items such as interest income, interest expense and other income (expense).

The primary measurement used by management to measure the financial performance of each segment is Adjusted EBITDA. We define Adjusted EBITDA as net income (loss), adjusted for the following items: income tax (benefit) expense; depreciation and amortization; interest expense, net; restructuring and impairment charges; acquisition costs; non-cash charges of purchase price allocated to inventories; goodwill impairment; share-based compensation expense; non-cash foreign exchange transaction/translation (income) loss; other non-cash items; and other items.

The presentation of segment results below includes a reconciliation of the changes for each segment reported in accordance with U.S. GAAP to a pro forma basis to allow investors and the Company to meaningfully evaluate the percentage change on a comparable basis from period to period. The pro forma financial information is based on the historical information of Cornerstone, Environmental Stoneworks and Kleary. The pro forma financial information does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the two acquisitions or any integration costs. Pro forma balances are not necessarily indicative of operating results had the Environmental Stoneworks and Kleary acquisitions occurred on January 1, 2019 or of future results.

See Note 19 — *Segment Information* in the notes to the unaudited consolidated financial statements for more information on our segments.

NON-GAAP FINANCIAL MEASURES

Set forth below are certain "non-GAAP financial measures" as defined under the Securities Exchange Act of 1934 and in accordance with Regulation G. Management believes the use of such non-GAAP financial measures assists investors in understanding the ongoing operating performance of the Company by presenting the financial results between periods on a more comparable basis. Such non-GAAP financial measures should not be construed as an alternative to reported results determined in accordance with U.S. GAAP. We have included reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and provided in accordance with U.S. GAAP.

The following tables presents a comparison of net sales as reported to pro-forma revenue for Cornerstone as if the Kleary and Environmental Stoneworks acquisitions had occurred on January 1, 2019:

	Three months ended October 3, 2020			Three months ended September 28, 2019		
(Amounts in thousands)	Reported	Acquisitions	Pro Forma	Reported	Acquisitions (1)	Pro Forma
Net Sales						
Windows	$ 501,314	$ —	$ 501,314	$ 504,338	$ —	$ 504,338
Siding	321,898	—	321,898	315,799	13,264	329,063
Commercial	404,041	—	404,041	464,906	—	464,906
Total Net Sales	$ 1,227,253	$ —	$ 1,227,253	$ 1,285,043	$ 13,264	$ 1,298,307

	Nine Months Ended October 3, 2020			Nine months ended September 28, 2019		
	Reported	Acquisitions (1)	Pro Forma	Reported	Acquisitions (2)	Pro Forma
Net Sales						
Windows	$ 1,378,039	$ —	$ 1,378,039	$ 1,434,579	$ —	$ 1,434,579
Siding	848,190	8,358	856,548	840,601	48,903	889,504
Commercial	1,199,771	—	1,199,771	1,370,152	—	1,370,152
Total Net Sales	$ 3,426,000	$ 8,358	$ 3,434,358	$ 3,645,332	$ 48,903	$ 3,694,235

(1) Acquisitions reflect the estimated impact for Kleary Masonry, Inc.
(2) Acquisitions reflect the estimated impact for Environmental Stoneworks and Kleary Masonry, Inc.

The following tables reconcile Adjusted EBITDA and pro forma Adjusted EBITDA to operating income (loss) for the periods indicated.

Consolidated

(Amounts in thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Operating income (loss), GAAP	$ 103,979	$ 95,560	$ (337,887)	$ 149,126
Restructuring and impairment charges, net	2,918	4,984	32,321	15,522
Strategic development and acquisition related costs	7,909	10,500	13,550	36,668
Goodwill impairment	—	—	503,171	—
Depreciation and amortization	71,933	64,009	212,413	191,485
Other [(1)]	6,588	5,709	25,089	31,883
Adjusted EBITDA	193,327	180,762	448,657	424,684
Impact of Environmental Stoneworks and Kleary acquisitions[(2)]	—	3,831	1,869	6,979
Pro Forma Adjusted EBITDA	$ 193,327	$ 184,593	$ 450,526	$ 431,663
Pro Forma Adjusted EBITDA as a % of Pro Forma Net Sales	15.8 %	14.2 %	13.1 %	11.7 %

(1) Includes $4.0 million and $12.6 million of share based compensation expense for the three and nine months ended October 3, 2020, respectively, and $3.1 million and $10.6 million for the three and nine months ended September 28, 2019, respectively, as well as $2.6 million and $10.6 million of COVID-19 related costs for the three and nine months ended October 3, 2020, respectively.

(2) Reflects the Adjusted EBITDA of Environmental Stoneworks for the period January 1, 2019 to the acquisition date of February 20, 2019 and Kleary Masonry, Inc. for the periods January 1, 2019 to September 28, 2019 and January 1, 2020 to March 1, 2020.

Windows

(Amounts in thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net Sales	$ 501,314	$ 504,338	$ 1,378,039	$ 1,434,579
Operating income (loss), GAAP	$ 37,295	$ 34,446	$ (252,794)	$ 62,039
Restructuring and impairment charges, net	1,539	505	7,189	1,526
Strategic development and acquisition related costs	—	4,993	16	17,054
Goodwill impairment	—	—	320,990	—
Depreciation and amortization	30,644	23,778	90,679	72,603
Other	1,168	862	6,060	84
Adjusted EBITDA	$ 70,646	$ 64,584	$ 172,140	$ 153,306
Adjusted EBITDA as a % of Net Sales	14.1 %	12.8 %	12.5 %	10.7 %

Net sales for the three and nine months ended October 3, 2020 was 0.6% and 3.9% lower than the same period last year, respectively, due to the lower demand from the market impacts of the COVID-19 pandemic more than offsetting favorable price/mix from price increases implemented at the beginning of the year. While our business was deemed an essential activity, delays in construction activity driven by temporary closures of non-life sustaining businesses and stay-at-home orders occurred.

Operating income (loss) for the three months ended October 3, 2020 was $37.3 million, an increase of $2.9 million or 8.3% compared to the three months ended September 28, 2019, primarily due to favorable price, net of raw material inflation of $7.7 million and improved manufacturing productivity from cost reduction initiatives offset by lower volume/demand as a result of the impact of the COVID-19 pandemic. Operating loss for the nine months ended October 3, 2020 was $252.8 million, a decrease of $314.8 million compared to the nine months ended September 28, 2019, primarily due to the goodwill impairment.

Adjusted EBITDA was $70.6 million or 14.1 as a percent of net sales, an improvement of 130 basis points better than the three months ended September 28, 2019, which is the sixth consecutive quarter of Adjusted EBITDA margin expansion. On a year-to-date basis, Adjusted EBITDA as a percent of net sales improved 180 basis points versus the same nine-month period last year. Margin expansion over prior year was a result of the quick and effective management of near-term expenses and

acceleration of our strategy to improve our highly variable cost structure, despite the challenges in our end-markets caused by the COVID-19 pandemic. Additionally, positive price and mix, net of inflation as a result of focused price discipline was a contributing factor.

Siding

(Amounts in thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net Sales	$ 321,898	$ 315,799	$ 848,190	$ 840,601
Pro Forma Net Sales	321,898	329,063	856,548	889,504
Operating income (loss), GAAP	$ 45,313	$ 37,063	$ (92,916)	$ 51,346
Restructuring and impairment charges, net	(714)	2,531	2,901	8,162
Strategic development and acquisition related costs	7,139	—	8,115	—
Goodwill impairment	—	—	176,774	—
Depreciation and amortization	28,547	28,804	85,068	83,569
Other	(1,191)	(313)	(841)	16,772
Adjusted EBITDA	79,094	68,085	179,101	159,849
Impact of Environmental Stoneworks and Kleary acquisitions[(1)]	—	3,831	1,869	6,988
Pro Forma Adjusted EBITDA	$ 79,094	$ 71,916	$ 180,970	$ 166,837
Adjusted EBITDA as a % of Net Sales	24.6 %	21.6 %	21.1 %	19.0 %
Pro Forma Adjusted EBITDA as a % of Pro Forma Net Sales	24.6 %	21.9 %	21.1 %	18.8 %

(1) Reflects the Adjusted EBITDA of Environmental Stoneworks for the period January 1, 2019 to the acquisition date of February 20, 2019 and Kleary Masonry, Inc. for the periods January 1, 2019 to September 28, 2019 and January 1, 2020 to March 1, 2020.

Pro Forma Net sales for the three and nine months ended October 3, 2020 was 2.2% and 3.7% lower than the same period last year, respectively. During the quarter, order momentum was strong as wholesale and retail demand outpaced prior year driving higher shipped volume, but was more than offset by price pressure from lower raw material inputs and shift in product mix. For the year-to-date period, delays in construction activity driven by temporary closures of non-life sustaining businesses and stay-at-home orders resulted in lower volume of approximately $25 million.

Operating income (loss) for the three months ended October 3, 2020 was $49.3 million, an increase of $12.3 million or 33.1% compared to the three months ended September 28, 2019, primarily due to improvements made to operating and SG&A costs as part of our cost initiatives, partially offset by impacts from lower volume. Operating loss for the nine months ended October 3, 2020 was $88.9 million, a decrease of $140.3 million compared to the nine months ended September 28, 2019, primarily due to the goodwill impairment.

Pro Forma Adjusted EBITDA was $79.1 million or 24.6 as a percent of net sales, an improvement of 300 basis points as compared to the three months ended September 28, 2019. This was the sixth consecutive quarter of margin expansion. On a year-to-date basis, Pro Forma Adjusted EBITDA as a percent of net sales improved 210 basis points versus the same nine-month period last year. Margin expansion over prior year was a result of the quick and effective management of near-term expenses and acceleration of our strategy to improve our highly variable cost structure, despite the challenges in our end-markets caused by the COVID-19 pandemic. Additionally, positive price and mix, net of inflation as a result of lower raw material costs was a contributing factor.

Commercial

(Amounts in thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net Sales	$ 404,041	$ 464,906	$ 1,199,771	$ 1,370,152
Operating income, GAAP	$ 56,137	$ 59,317	$ 109,642	$ 142,436
Restructuring and impairment charges, net	1,358	802	20,427	1,967
Strategic development and acquisition related costs	(8)	238	(262)	6,493
Goodwill impairment	—	—	5,407	—
Depreciation and amortization	11,743	10,785	33,664	32,959
Other	1,108	1,356	3,967	3,146
Adjusted EBITDA	$ 70,338	$ 72,498	$ 172,845	$ 187,001
Adjusted EBITDA as a % of Net Sales	17.4 %	15.6 %	14.4 %	13.6 %

Net sales for the three and nine months ended October 3, 2020 was 13.1% and 12.4% lower than the same time period last year, respectively, due to lower demand from delayed construction activity from the COVID-19 pandemic and related price effects from declining raw material costs and shift in product mix.

Operating income for the three months ended October 3, 2020 was $56.1 million, a decrease of $3.2 million or 5.4% compared to the three months ended September 28, 2019, primarily due to the executed cost reduction initiatives, facility rationalizations, organizational simplification and expense management while effectively managing price with declining steel costs, offsetting the unfavorable impact from a shift to less complex projects. Operating income for the nine months ended October 3, 2020 was $109.6 million, a decrease of $32.8 million or 23.0% compared to the nine months ended September 28, 2019, primarily due to the impacts of the COVID-19 pandemic discussed above.

Adjusted EBITDA was $70.3 million or 17.4 as a percent of net sales, an improvement of 180 basis points over the same period last year. This was the sixth consecutive quarter of margin expansion. On a year-to-date basis, Adjusted EBITDA margin improved 80 basis points. Margin expansion over prior year was a result of the quick and effective management of near-term expenses and acceleration of our strategy to improve our highly variable cost structure, despite the challenges in our end-markets caused by the COVID-19 pandemic, along with effective price management amid declining steel costs offsetting the unfavorable shifts in product mix of approximately $26 million. We have a broad and diversified set of product offerings that serve low rise non-residential applications, but demand for higher margin products weakened as customer capital spending was affected by the uncertainties related to the COVID-19 pandemic.

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

(Amounts in thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Statement of operations data:				
SG&A expenses	$ (33,988)	$ (29,996)	$ (96,122)	$ (93,411)
Acquisition related expenses	(778)	(5,270)	(5,697)	(13,284)
Operating loss	(34,766)	(35,266)	(101,819)	(106,695)
Interest expense	(51,519)	(56,549)	(158,738)	(173,134)
Interest income	328	155	1,007	491
Foreign exchange gain (loss)	812	(616)	(1,300)	1,084
Other income (expense), net	(23)	717	(25)	665
Income tax provision (benefit)	23,061	14,103	(12,285)	(4,448)

Unallocated operating losses include items that are not directly attributed to or allocated to our reporting segments. Such items include legal costs, corporate payroll, and unallocated finance and accounting expenses. The unallocated operating loss for the three months ended October 3, 2020 decreased by $0.5 million or 1.4% compared to the three months ended September 28, 2019, and for the nine months ended October 3, 2020 decreased by $4.9 million or 4.6% compared to the nine months ended September 28, 2019. The change in both periods is due primarily to reductions in management incentive cost and workforce as well as management of near-term expenses, such as various professional fees and legal costs as we managed the uncertainties of the COVID-19 pandemic. Unallocated operating loss includes $4.0 million and $12.6 million of share-based compensation expense for the three and nine months ended October 3, 2020, respectively. Share-based compensation expense was $3.1 million and $10.6 million for the three and nine months ended September 28, 2019, respectively.

Interest expense decreased to $51.5 million for the three months ended October 3, 2020 and $158.7 million for the nine months ended October 3, 2020 compared to $56.5 million for the three months ended September 28, 2019 and $173.1 million for the nine months ended September 28, 2019. The interest expense decrease is primarily due to declining interest rates in fiscal 2020 which impacted the floating rate Term Loan Facility.

Foreign exchange gain (loss) for the three months ended October 3, 2020 was a $0.8 million gain compared to a loss of $0.6 million for the three months ended September 28, 2019 and for the nine months ended October 3, 2020 it was a $1.3 million loss compared to a gain of $1.1 million for the nine months ended September 28, 2019. Changes in both periods are due to exchange rate fluctuations in the Canadian dollar and Mexican peso relative to the U.S. dollar.

Consolidated provision (benefit) for income taxes was an expense of $23.1 million for the three months ended October 3, 2020 compared to an expense of $14.1 million for the three months ended September 28, 2019 and a benefit of $12.3 million for the nine months ended October 3, 2020 compared to a benefit of $4.4 million for the nine months ended September 28, 2019. The effective tax rate for the three months ended October 3, 2020 was 43.0% compared to 35.9% for the three months ended September 28, 2019. The change in the effective tax rate was primarily driven by the continuing effects associated with the enactment of the CARES Act and the impact of COVID-19. The effective tax rate for the nine months ended October 3, 2020 was 2.5% compared to 20.4% for the nine months ended September 28, 2019. The change in the effective tax rate was primarily driven by the continuing effects associated with the enactment of the CARES Act and items relating to the goodwill impairment recorded during the nine months ended October 3, 2020.

LIQUIDITY AND CAPITAL RESOURCES

General

Our cash, cash equivalents and restricted cash increased from $102.3 million as of December 31, 2019 to $633.8 million as of October 3, 2020. The following table summarizes our consolidated cash flows for the nine months ended October 3, 2020 and September 28, 2019 (in thousands):

	Nine Months Ended	
	October 3, 2020	September 28, 2019
Net cash provided by operating activities	$ 236,876	$ 67,819
Net cash used in investing activities	(102,838)	(264,675)
Net cash provided by financing activities	396,974	156,959
Effect of exchange rate changes on cash and cash equivalents	507	1,406
Net increase (decrease) in cash, cash equivalents and restricted cash	531,519	(38,491)
Cash, cash equivalents and restricted cash at beginning of period	102,307	147,607
Cash, cash equivalents and restricted cash at end of period	$ 633,826	$ 109,116

Operating Activities

Our business is both seasonal and cyclical and cash flows from operating activities may fluctuate during the year and from year-to-year due to economic conditions. We rely on cash as well as short-term borrowings, when needed, to meet cyclical and seasonal increases in working capital needs. These needs generally rise during periods of increased economic activity or due to higher levels of inventory and accounts receivable. During economic slowdowns, working capital needs generally decrease as a result of the reduction of inventories and accounts receivable. Working capital needs also fluctuate based on raw material prices.

Net cash provided by operating activities was $236.9 million during the nine months ended October 3, 2020 compared to net cash provided by operating activities of $67.8 million for the nine months ended September 28, 2019. The change in cash flow provided by operations is due to improved earnings generation, accounts receivables collections, timing of payments on compensation accruals, seasonal trends in the timing of working capital, and effective working capital management to align with dynamic market conditions.

Net cash used in accounts receivable was $84.3 million for the nine months ended October 3, 2020 compared to $138.3 million used in accounts receivable for the nine months ended September 28, 2019. The changes in accounts receivable period over period relates to seasonal trends in working capital and timing of collections and volume impacts from the COVID-19 pandemic. Our days sales outstanding as of October 3, 2020 and September 28, 2019 were 41.3 days and 41.7 days, respectively.

For the nine months ended October 3, 2020, the change in cash flows relating to inventory was an increase of $31.0 million compared to an increase of $63.3 million for the nine months ended September 28, 2019. We experienced a $31.0 million cash flow increase in inventory from the Commercial segment primarily as a result of decreasing material costs. The remaining changes in inventory period over period relate to volume impacts from the COVID-19 pandemic. Our days inventory on-hand improved slightly to 39.7 days as of October 3, 2020 as compared to 44.8 days as of September 28, 2019.

Net cash provided by accounts payable for the nine months ended October 3, 2020 was $22.7 million compared to net cash provided by accounts payable of $8.5 million for the nine months ended September 28, 2019. Our vendor payments can significantly fluctuate based on the timing of disbursements, inventory purchases and vendor payment terms. Our days payable outstanding as of October 3, 2020 increased to 22.2 days from 21.5 days as of September 28, 2019.

Investing Activities

Net cash used in investing activities was $102.8 million during the nine months ended October 3, 2020 compared to $264.7 million used in investing activities during the nine months ended September 28, 2019. During the nine months ended October 3, 2020, we paid approximately $41.8 million (net of cash acquired) for the acquisition of Kleary and we used $62.5 million for capital expenditures. In the nine months ended September 28, 2019, we paid approximately $179.2 million, net of cash acquired, for the acquisition of ESW and used $86.4 million for capital expenditures.

Financing Activities

Net cash provided by financing activities was $397.0 million in the nine months ended October 3, 2020 compared to $157.0 million provided by financing activities in the nine months ended September 28, 2019. During the nine months ended October 3, 2020, we issued $500.0 million in aggregate principal amount of 6.125% Senior Notes due January 2029 ("the 6.125% Senior Notes"), borrowed $40.0 million on our Current ABL Facility to finance the acquisition of Kleary, borrowed an additional $305.0 million on our Current ABL Facility and repaid all outstanding balances at the end of the third quarter, and borrowed and repaid $115.0 million on our Current Cash Flow Revolver. Proceeds from the offering of the 6.125% Senior Notes were used to pay down the Current ABL Facility and Current Cash Flow Revolver balances. Additionally, we paid quarterly installments of $19.2 million on the Current Term Loan, used $0.5 million for the purchases of shares that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of share-based compensation and used $6.4 million to repurchase shares of our outstanding common stock under our stock repurchase programs.

During the nine months ended September 28, 2019, we borrowed $290.0 million and repaid $120.0 million of that amount on our Current ABL Facility, a portion of which was used to finance the acquisition of ESW, paid $12.8 million on quarterly installments on the Current Term Loan and used $0.2 million for the purchases of shares related to restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of restricted stock awards and units.

We invest our excess cash in various overnight investments which are issued or guaranteed by the U.S. federal government.

Debt

Our outstanding indebtedness will mature in 2023 (Current ABL Facility and Current Cash Flow Revolver), 2025 (Current Term Loan Facility), 2026 (8.00% Senior Notes) and 2029 (6.125% Senior Notes). We may not be successful in refinancing, extending the maturity or otherwise amending the terms of such indebtedness because of market conditions, disruptions in the debt markets, our financial performance or other reasons. Furthermore, the terms of any refinancing, extension or amendment may not be as favorable as the current terms of our indebtedness. If we are not successful in refinancing our indebtedness or extending its maturity, we and our subsidiaries could face substantial liquidity problems and may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure our indebtedness. The Current Term Loan Facility provides for an aggregate principal amount of $2,560.0 million. We have also entered into certain interest rate swap agreements to reduce our variable interest rate risk.

The Current ABL Credit Agreement provides for an asset-based revolving credit facility which allows aggregate maximum borrowings by the ABL borrowers of up to $611.0 million. As set forth in the Current ABL Credit Agreement, extensions of credit under the Current ABL Facility are subject to a monthly borrowing base calculation that is based on specified percentages of the value of eligible inventory, eligible accounts receivable and eligible credit card receivables, less certain reserves and subject to certain other adjustments. Availability under the Current ABL Facility will be reduced by issuance of letters of credit as well as any borrowings outstanding thereunder.

As of October 3, 2020, we had an aggregate principal amount of $3,649.4 million of outstanding indebtedness, comprising, $2,504.4 million of borrowings under our Current Term Loan Facility, $645.0 million of 8.00% Senior Notes outstanding and $500.0 million of 6.125% Senior Notes outstanding. Our excess availability under the Current ABL Facility was $570.0 million as of October 3, 2020. In addition, standby letters of credit totaling approximately $36.5 million were outstanding but undrawn under the ABL Facility.

For additional information, see Note 14 — *Long-Term Debt* and Note 17 — *Fair Value of Financial Instruments and Fair Value Measurement* in the notes to the unaudited consolidated financial statements.

Cash Flow

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of inventory levels, expansion plans, debt service requirements and other operating cash needs. To meet our short-term and long-term liquidity requirements, including payment of operating expenses and repayment of debt, we rely primarily on cash from operations. Beyond cash generated from operations, $570.0 million is available with our Current ABL Facility at October 3, 2020 and we have an unrestricted cash balance of $627.6 million as of October 3, 2020. Our Current Cash Flow Revolver is fully available as of October 3, 2020.

We expect to contribute $4.4 million to the defined benefit plans and $0.8 million to the postretirement medical and life insurance plans in the year ending December 31, 2020.

We expect that cash generated from operations and our availability under the ABL Credit Facility and Current Cash Flow Revolver will be sufficient to provide us the ability to fund our operations and to provide the increased working capital necessary to support our strategy and fund planned capital expenditures for fiscal 2020 and expansion when needed.

Our corporate strategy evaluates potential acquisitions that would provide additional synergies in our Windows, Siding and Commercial segments. From time to time, we may enter into letters of intent or agreements to acquire assets or companies in these business lines. The consummation of these transactions could require substantial cash payments and/or issuance of additional debt.

From time to time, we have used available funds to repurchase shares of our common stock under our stock repurchase programs. On October 10, 2017 and March 7, 2018, we announced that our Board of Directors authorized new stock repurchase programs for the repurchase of up to an aggregate of $50.0 million and an additional $50.0 million, respectively, of our outstanding Common Stock for a cumulative total of $100.0 million. Under these repurchase programs, we are authorized to repurchase shares, if at all, at times and in amounts that we deem appropriate in accordance with all applicable securities laws and regulations. Shares repurchased are usually retired. There is no time limit on the duration of the programs. During the nine months ended October 3, 2020, the Company repurchased 1.1 million shares for $6.4 million under the stock repurchase programs. As of October 3, 2020, approximately $49.1 million remained available for stock repurchases under the program announced on March 7, 2018. In addition to repurchases of shares of our common stock under our stock repurchase program, we also withhold shares of restricted stock to satisfy minimum tax withholding obligations arising in connection with the vesting of share-based compensation.

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

OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities ("SPEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of October 3, 2020, we were not involved in any material unconsolidated SPE transactions.

CONTRACTUAL OBLIGATIONS

Our contractual obligations principally includes obligations associated with our outstanding indebtedness, operating lease obligations and inventory purchase commitments. Contractual obligations did not materially change during the nine months ended October 3, 2020, except for debt activity as disclosed in Note 14 — *Long-Term Debt* in the notes to the unaudited consolidated financial statements and in Liquidity and Capital Resources — *Financing Activitie*s, and lease activity as disclosed in Note 9 — *Leases* in the notes to the unaudited consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are most important to the portrayal of our financial position and results of operations. These policies require our most subjective judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies include those that pertain to revenue recognition, insurance accruals, share-based compensation, income taxes, accounting for acquisitions, intangible assets and goodwill, allowance for doubtful accounts, inventory valuation, property, plant and equipment valuation and contingencies, which are described in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

We adopted ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as of January 1, 2020. ASU 2016-13 requires an entity to measure all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. See Note 2 — *Accounting Pronouncements* in the notes to the unaudited consolidated financial statements for a description of the impact of the adoption of ASU 2016-13.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 — *Accounting Pronouncements* in the notes to the unaudited consolidated financial statements for information on recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Windows and Sidings Businesses

We are subject to market risk with respect to the pricing of our principal raw materials, which include PVC resin, aluminum and glass. If prices of these raw materials were to increase dramatically, we may not be able to pass such increases on to our customers and, as a result, gross margins could decline significantly. We manage the exposure to commodity pricing risk by increasing our selling prices for corresponding material cost increases, continuing to diversify our product mix, strategic buying programs and vendor partnering. The average market price for PVC resin was estimated to have increased approximately 3.8% for the nine months ended October 3, 2020 compared to the nine months ended September 28, 2019.

Commercial Business

We are subject to market risk exposure related to volatility in the price of steel. For the nine months ended October 3, 2020, material costs (predominantly steel costs) constituted approximately 61% of our Commercial segment's cost of sales. Our business is heavily dependent on the price and supply of steel. Our various products are fabricated from steel produced by mills to forms including bars, plates, structural shapes, sheets, hot-rolled coils and galvanized or Galvalume® — coated coils (Galvalume® is a registered trademark of BIEC International, Inc.). The steel industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions, domestically and internationally, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, import duties and other trade restrictions. Based on the cyclical nature of the steel industry, we expect steel prices will continue to be volatile.

With material costs (predominantly steel costs) accounting for approximately 61% of our Commercial segment's cost of sales for the nine months ended October 3, 2020, a one percent change in the cost of steel could have resulted in a pre-tax impact on cost of sales of approximately $5.5 million for our nine months ended October 3, 2020. The impact to our financial results of operations of such an increase would be significantly dependent on the competitive environment and the costs of other alternative building products, which could impact our ability to pass on these higher costs.

Other Commodity Risks

In addition to market risk exposure related to the volatility in the price of steel, aluminum, PVC resin, and glass, we are subject to market risk exposure related to volatility in the price of natural gas. As a result, we occasionally enter into both index-priced and fixed-price contracts for the purchase of natural gas. We have evaluated these contracts to determine whether the contracts are derivative instruments. Certain contracts that meet the criteria for characterization as a derivative instrument may be exempted from hedge accounting treatment as normal purchases and normal sales and, therefore, these forward contracts are not marked to market. At October 3, 2020, all of our contracts for the purchase of natural gas and aluminum met the scope exemption for normal purchases and normal sales.

Interest Rates

We are subject to market risk exposure related to changes in interest rates on our Current Cash Flow Facilities and Current ABL Facility, which provides for borrowings of up to $2,675.0 million on the Current Cash Flow Facilities and up to $611.0 million on the Current ABL Facility. These instruments bear interest at an agreed upon percentage point spread from either the prime interest rate or LIBOR. Assuming the Current Cash Flow Revolver is fully drawn, each quarter point increase or decrease in the interest rate would change our interest expense by approximately $6.7 million per year for the Current Cash Flow Facilities. Assuming the Current ABL Facility is fully drawn, each quarter point increase or decrease in the interest rate would change our interest expense by approximately $1.5 million per year. The fair value of our term loan credit facility at October 3, 2020 and December 31, 2019 was approximately $2,479.3 million and $2,514.9 million, respectively, compared to a face value of approximately $2,504.4 million and $2,523.6 million, respectively. In May 2019, we entered into cash flow interest rate swap hedge contracts for $1.5 billion to mitigate the exposure risk of our floating interest rate debt. The interest rate swaps effectively convert a portion of the floating rate interest payment into a fixed rate payment. At October 3, 2020, our cash flow hedge contracts had a fair value liability of $83.3 million and is recorded as a non-current liability as of October 3, 2020 in our consolidated balance sheets.

See Note 14 — *Long-Term Debt* in the notes to the unaudited consolidated financial statements for information on the material terms of our long-term debt.

Labor Force Risk

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

Foreign Currency Exchange Rates

We are exposed to the effect of exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating revenue and expenses. The functional currency for our Mexico operations is the U.S. dollar. Adjustments resulting from the re-measurement of the local currency financial statements into the U.S. dollar functional currency, which uses a combination of current and historical exchange rates, are included in net income (loss) in the current period. Net foreign currency re-measurement gain (loss) was insignificant for the three months ended October 3, 2020 and was $(0.1) million for the three months ended September 28, 2019. Net foreign currency re-measurement gain (loss) was $(0.6) million and $0.4 million for the nine months ended October 3, 2020 and September 28, 2019, respectively.

The functional currency for our Canada operations is the Canadian dollar. Translation adjustments resulting from translating the functional currency financial statements into U.S. dollar equivalents are reported separately in accumulated other comprehensive income (loss) in stockholders' equity. The net foreign currency exchange gain (loss) included in net income for the three months ended October 3, 2020 and September 28, 2019 was $0.9 million and $(0.5) million, respectively. The net foreign currency exchange gain (loss) included in net income (loss) for the nine months ended October 3, 2020 and September 28, 2019 was $(0.5) million and $0.8 million, respectively. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income (loss) for the three months ended October 3, 2020 and September 28, 2019 was $7.4 million and $(1.9) million, respectively. Net foreign currency translation adjustment, net of tax, and included in other comprehensive income (loss) for the nine months ended October 3, 2020 and September 28, 2019 was $6.4 million and $4.3 million, respectively.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of October 3, 2020. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding the required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management believes that our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and based on the evaluation of our disclosure controls and procedures as of October 3, 2020, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at such reasonable assurance level.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended October 3, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

See Part I, Item 1, "Unaudited Consolidated Financial Statements", Note 20 - *Contingencies*, which is incorporated herein by reference.

Item 1A. Risk Factors.

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and our Quarterly Reports on Form 10-Q for the quarterly periods ended April 4, 2020 and July 4, 2020. The risks disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, our Quarterly Reports on Form 10-Q for the quarterly periods ended April 4, 2020 and July 4, 2020, and information provided elsewhere in this report, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known or we currently deem to be immaterial may materially adversely affect our business, financial condition or results of operations. Except for such additional information, we believe there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, other than as set forth in our Quarterly Reports on Form 10-Q for the quarterly periods ended April 4, 2020 and July 4, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table shows our purchases of our Common Stock during the three months ended October 3, 2020:

Period	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs	(d) Maximum Dollar Value of Shares that May Yet be Purchased Under Publicly Programs[2] (in thousands)
July 5, 2020 to August 1, 2020	—	$ —	—	$ 49,145
August 2, 2020 to August 29, 2020	1,235	6.89	—	49,145
August 30, 2020 to October 3, 2020	400	8.01	—	49,145
Total	1,635	7.16	—	

(1) The total number of shares purchased includes our Common Stock repurchased under the program described below as well as shares of restricted stock that were withheld to satisfy minimum tax withholding obligations arising in connection with the vesting of stock awards. The required withholding is calculated using the closing sales price on the previous business day prior to the vesting date as reported by the NYSE.

(2) On March 7, 2018, the Company announced that its Board of Directors authorized a stock repurchase program for up to an aggregate of $50.0 million of the Company's Common Stock. Under this repurchase program, the Company is authorized to repurchase shares, if at all, at times and in amounts that we deem appropriate in accordance with all applicable securities laws and regulations. Shares repurchased are usually retired. There is no time limit on the duration of the program. As of October 3, 2020, approximately $49.1 million remained available for stock repurchases under the program.

Item 6. Exhibits.

Index to Exhibits

Exhibit No.	Description
4.1	Eighth Supplemental Indenture, dated as of September 24, 2020, among Cornerstone Building Brands, Inc., the subsidiary guarantors listed on the signature pages thereto and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to Cornerstone's Current Report on Form 8-K dated September 24, 2020 and incorporated by reference herein).
†10.1*	Employment Agreement, effective September 21, 2020, between Cornerstone Building Brands, Inc., its wholly-owned subsidiary, Ply Gem Industries, Inc., and James F. Keppler.
*31.1	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.2	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
**32.1	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
**32.2	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
*101.INS	Inline XBRL Instance Document
*101.SCH	Inline XBRL Taxonomy Extension Schema Document
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

† Management contracts or compensatory plans or arrangements

SIGNATURE

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

CORNERSTONE BUILDING BRANDS, INC.

Date: November 10, 2020

By: /s/ James S. Metcalf
James S. Metcalf
Chairman of the Board and Chief Executive Officer

Date: November 10, 2020

By: /s/ Jeffrey S. Lee
Jeffrey S. Lee
Executive Vice President and Chief Financial Officer

Exhibit 10.1

AGREEMENT

THIS AGREEMENT (this "**Agreement**") is entered into as of August 25, 2020, between Cornerstone Building Brands, Inc., a Delaware corporation (the "**Company**"), and its wholly-owned subsidiary, Ply Gem Industries, Inc., a Delaware corporation ("**Employer**"), and James F. Keppler, a resident of the State of Michigan ("**Employee**"). The Company, Employer and Employee are sometimes hereinafter collectively referred to as the "**Parties**."

BACKGROUND

Employer hires and retains in its employment such personnel as are required by the Company and its other Affiliates, and makes its employees so retained available to provide services to the Company and its Affiliates.

Effective as of September 21, 2020 (the "**Effective Date**"), this Agreement sets forth the terms and conditions of the employment of Employee by Employer, and the duties and responsibilities of Employee, on the one hand, and of Employer and the Company, on the other hand, to each other.

Capitalized terms not defined in the body of this Agreement have the meanings set forth on the attached Appendix "A."

AGREEMENT AMONG PARTIES

In consideration of the foregoing and of the mutual covenants and agreements set forth in this Agreement, and subject to the terms and conditions set forth herein, the Parties agree as follows:

1. **Employment.** During the term of this Agreement, Employer hereby agrees to continue Employee in its employ, and Employee hereby agrees to remain in the employ of Employer, pursuant to the terms and conditions set forth herein.

2. **Duties and Authority.** During the term of this Agreement, Employee shall serve as the Executive Vice President, Operations of the Company or such other position or title to which Employee is promoted, with those authorities, duties and responsibilities primarily focused on the end-to-end supply chain of the products of the company and such other authorities, duties and responsibilities as the Board of Directors of the Company (the "**Board**") or the Chief Executive Officer or his or her designee may reasonably assign Employee from time to time commensurate with Employee's position. Employee shall use Employee's best efforts, including the highest standards of professional competence and integrity, and shall devote substantially all of Employee's business time and effort in and to Employee's employment hereunder, and shall not engage in any other business activity which would conflict with the rendition of Employee's services hereunder, except that Employee may hold directorships or related positions in charitable, educational or not-for-profit organizations, or directorships in

business organizations if expressly approved by the Board, and make passive investments, which do not unreasonably interfere with Employee's day-to-day performance of Employee's responsibilities to the Company.

3. **Term.** This Agreement shall be effective as of the Effective Date, and shall remain in effect until the first anniversary of the Effective Date subject to earlier termination or extension as described below. The period from the Effective Date until this Agreement shall have expired in accordance with this Section 3 or been terminated in accordance with Section 5 is hereafter referred to as "the term hereof" or "the term of this Agreement." The term hereof shall be extended automatically for an additional year as of the first anniversary of the Effective Date and as of each subsequent annual anniversary of such date (each such extension date is referred to herein as a "**Renewal Date**") unless at least one (1) year prior to any such Renewal Date either Party shall have given notice to the other Party that the term of this Agreement shall not be so extended. Notwithstanding any provision of this Agreement to the contrary, if a Change in Control occurs, the term of this Agreement shall be extended for a period of two (2) years after the date of the occurrence of the Change in Control or Potential Change in Control, and, if this Agreement does not terminate during such period, the last day of such extended term shall become the applicable Renewal Date.

4. **Compensation.**

a. Base Salary. Employer shall pay Employee a base salary in the amount of not less than $510,000 per year during the term hereof, payable in accordance with Employer's normal payroll procedures. The salary of Employee will be reviewed at least once annually by the Company and/or, to the extent required, the Compensation Committee of the Board (the "**Compensation Committee**"). In the event that Employee's salary is required to be approved by the Compensation Committee, such review shall be conducted by the Compensation Committee at the same time as it reviews the salaries of other senior executives of the Company, and any adjustment shall be solely within the discretion of the Compensation Committee.

a. Annual Bonus. During the term of this Agreement, Employee shall have a target annual bonus opportunity equal to 80% of his base salary (the "**Target Bonus**") with a payout range of 50% for threshold performance up to 200% for outstanding performance, with actual payout (if any) dependent upon performance against goals to be approved annually by the Compensation Committee. Employee shall be eligible to receive a bonus for calendar year 2020 (with pro ration based on service) with the minimum bonus amount equal to $112,899, representing a pro rata portion of the Target Bonus amount for the balance of calendar year 2020 following the Effective Date. During the term of this Agreement, Employee shall participate under the currently existing cash annual incentive plan of the Company, as amended and restated from time to time (the "**Bonus Plan**") or, if the Bonus Plan is amended, replaced or superseded, under any amended, replacement or successor bonus program adopted for senior executives of the Company and its Affiliates. Bonuses, if any,

paid to Employee pursuant to the Bonus Plan shall be paid after the end of each fiscal year of the Company at the same time as bonuses are paid to other participants, but no later than March 15 of the following calendar year. Employee understands that bonuses cannot be earned under the Bonus Plan except as specifically set forth therein based on the level of participation specified by the Compensation Committee in its discretion and, if the employment of a participant terminates for any reason prior to certain dates specified in the Bonus Plan, no bonus shall be payable thereunder except as expressly provided in this Section 4 and in Section 5 of this Agreement. In the event that Employee's employment terminates for any reason other than by the Company for Cause, after the end of the fiscal year but before payment of the bonus for that fiscal year, Employee shall be entitled to receive the amount of the bonus that would have otherwise been payable under the Bonus Plan, as determined by the Compensation Committee, on the date bonuses are paid to other participants. Employee also understands that the Bonus Plan may be amended, replaced, superseded or terminated at any time and from time to time by the Board in its sole discretion.

a. Long-Term Incentives. Promptly following the Effective Date, Employee shall be awarded long-term incentive awards for the Company's 2020 fiscal year having a total grant date fair value equal to $1,700,000, consisting of:

(i) an award of restricted stock units having an aggregate grant date fair value (calculated based on the 30-day average closing price of a share of the Company's stock) equal to $1,000,000, subject to service vesting in three equal installments on March 15, 2021, March 15, 2022 and March 15, 2023;

(ii) an award of stock options having an exercise price equal to the Company's closing share price on the grant date and having a grant date fair value equal to $450,000, subject to service vesting in three equal installments on March 15, 2021, March 15, 2022 and March 15, 2023 and

(iii) an award of performance share units having a grant date fair value (calculated based on the 30-day average closing price of a share of the Company's stock) equal to $250,000 at "target" levels of achievement, having the vesting, performance metrics and other terms and conditions approved by the Compensation Committee for the Company's long-term incentive program for its executive leadership team for the 2020 fiscal year.

Thereafter, beginning with the Company's 2021 Fiscal Year, Employee shall be eligible for an annual grant of long-term incentive awards with an annual target grant date fair value of $600,000, which are expected to be granted generally in the first calendar quarter of each year and to be of the same types, and in the same proportions thereof, as those provided to the Company's other senior executive officers. Any such long-term incentive awards described hereunder shall be granted at the discretion of the Compensation Committee and pursuant to, and subject to the terms and conditions of, the Company's Amended and Restated 2003 Long-Term Incentive Plan, as amended, or any successor plan thereto (the "**Equity Plan**"), and such other terms and conditions set

forth in the applicable award agreement, which award agreement shall be consistent with the terms and conditions provided to the Company's senior executive officers.

a. Signing Bonus. On the first payroll date following the Effective Date, the Company shall pay Employee a cash payment equal to $250,000. Employee will be required to repay the portion of the signing bonus that Employee retained after payment of taxes in respect thereof to the Company if Employee's employment with the Company is terminated by the Company for Cause prior to the second anniversary of the Effective Date. Such repayment will be required to be paid to the Company within thirty (30) days of Employee's last day as an employee of the Company under circumstances requiring such repayment as specified above.

a. Retirement, Health and Welfare Benefits. Employee shall be entitled to participate in and receive the health, hospitalization, medical, dental, life insurance, accidental death, disability and other insurance plans and benefits provided by Employer and the Company, and to participate in the 401(k) and other qualified profit-sharing, deferred compensation, pension, savings and other similar plans of Employer and the Company, as and to the extent Employer and the Company provide such benefits generally to other employees of Employer and the Company or to executive employees of the Company. It is understood and agreed that such benefits may be changed or discontinued from time to time in the sole discretion of Employer and the Company. During the term of this Agreement, Employee shall be entitled to four weeks of vacation per year.

a. Relocation Benefits. Employee shall be eligible to receive relocation benefits under the Company's relocation policy for Tier I employees.

a. Clawback; Company Policies. To the extent required by applicable law or regulation, any applicable stock exchange listing standards or any "clawback" policy adopted by the Company, all of Employee's compensation (whether paid in cash, long term incentive awards or otherwise) shall be subject to the provisions of any applicable clawback policies or procedures of the Company, which may provide for forfeiture and/or recoupment of such amounts paid or payable under this Agreement or otherwise, including the bonus and incentive equity awards granted or to be granted to Executive under Sections 4.b and/or 4.c of this Agreement. Employee shall also be subject to applicable policies of the Company as in effect from time to time, including the Cornerstone Building Brands, Inc. Executive Stock Ownership Guidelines and any successor policy, as applicable.

5. **Termination Payments.**

a. Minimum Termination Compensation. Employee shall serve in an at-will capacity and the Company and/or Employer may terminate the employment of

Employee at any time with or without Cause. Upon any termination of employment of Employee for any reason other than as set forth in Section 5.b or Section 5.c, whether on, before or after the expiration of the term of this Agreement (including any extension of the term hereof pursuant to the provisions of this Agreement), Employee shall be entitled to receive (i) that portion of Employee's annual base salary, at the rate then in effect, earned by Employee or accrued for Employee's account through the date of the termination of Employee's employment hereunder or for which Employee is entitled to payment for events or circumstances occurring on or through the date of termination of Employee's employment, (ii) any bonus to which Employee is entitled under the Bonus Plan pursuant to Section 4.b for the fiscal year ending prior to the date of termination, (iii) reimbursement of business expenses properly incurred in accordance with applicable Company policy prior to the date of termination and (iv) subject to Section 5.e, any generally applicable vested benefits to which Employee is entitled as a former employee under the employee benefit plans of the Company and its Affiliates.

b. Payment Other than Following a Change in Control and Other than During a Potential Change in Control Period. If Employee's employment is terminated by the Company without Cause or by Employee for Good Reason, in either case other than within twenty-four (24) months after a Change in Control and other than during a Potential Change in Control Period, then Employee shall be entitled to receive (i) one (1) times Employee's annual base salary at the highest annualized rate in effect during the one (1) year period immediately preceding the date of termination (the "**Base Severance Payment**"), and (ii) a prorated annual bonus under the Bonus Plan for the fiscal year in which the date of termination occurs based upon the elapsed number of days in such fiscal year through the date of termination applied to the bonus, if any, that would have been earned by Employee for such fiscal year if Employee had remained employed on the normal payment date of such bonus, based on actual performance under applicable financial metrics and applying any discretionary factors in substantially the same manner as such factors are applied to the senior executive officers of the Company whose employment has not terminated (the "**Pro Rata Bonus**") and (iii) medical and dental coverage at the active employee rate for the period of coverage applicable to Employee (up to a maximum of twelve (12) months) under the Consolidated Omnibus Budget Reconciliation Act of 1985, currently embodied in Section 4980B of the Internal Revenue Code of 1986, as amended (the "**Code**") (provided, that, in the case of clause (iii), because of the current uncertainty in the taxation of health benefits, in the event that the Company determines that the provision of health benefits in the manner provided hereunder becomes legally prohibited or would subject Employee or the Company to a material tax or penalty, or that such benefits are otherwise unable to be provided in a manner consistent with the intent of the parties to provide Employee with a non-taxable benefit (both as the cost of the coverage and the provision of benefits under such coverage), the Company and Employee shall cooperate reasonably and in good faith to preserve, to the maximum extent practicable without the imposition of material additional cost to the Company, the intended benefits hereunder) (the "**Medical and Dental Coverage**"). The Base Severance Payment shall be payable in substantially equal installments on regular payroll dates over the one (1) year period following the date of termination, except as otherwise set forth in Section 25 hereof and subject to the next following sentence;

provided that any installments that would be paid if the Release Effective Date (as defined below) were the date of termination shall be paid on the first payroll date after the Release Effective Date, unless the Release Period (as defined below) begins in one calendar year and ends in the subsequent calendar year, in which case such installments shall be paid on the first payroll date in the subsequent calendar year. Employee's right to receive the Base Severance Payment, the Pro Rata Bonus and the Medical and Dental Coverage shall be conditioned on Employee's execution, delivery and non-revocation of a general release of any and all claims against the Company and its Affiliates within thirty (30) days following the date of termination (such release of claims, the "**Release**"; such thirty (30) day period, the "**Release Period**", and the effective date of the Release, the "**Release Effective Date**"), which Release shall include the release of claims attached hereto as Appendix B and such other terms and conditions as may be mutually agreed by the Parties. The Pro Rata Bonus shall be paid in a lump sum not later than March 15th of the year following the year in which the date of termination occurs.

c. Payment Following a Change in Control or During a Potential Change in Control Period. If Employee's employment is terminated by the Company without Cause or by Employee for Good Reason within twenty-four (24) months after a Change in Control, then Employee shall be entitled to receive (i) the Base Severance Payment, (ii) an additional severance payment equal to the sum of (x) one (1) times Employee's annual base salary at the highest annualized rate in effect during the one (1) year period immediately preceding the date of the Change in Control, plus (y) two (2) times the target annual bonus of Employee for the year in which the date of termination occurs (the sum of clauses (x) and (y), the "**CIC Severance Payment**"), (iii) the Pro Rata Bonus and (iv) the Medical and Dental Coverage, except that the Medical and Dental Coverage shall be for eighteen (18) months rather than twelve (12) months. The CIC Severance Payment shall be payable in a lump sum on the first payroll date following the Release Effective Date, except as otherwise set forth in Section 25 hereof. Employee's right to receive the CIC Severance Payment, the Pro Rata Bonus and the Medical and Dental Coverage shall be conditioned on Employee's execution, delivery and non-revocation of the Release during the Release Period. The Pro Rata Bonus shall be paid in a lump sum not later than March 15th of the year following the year in which the date of termination occurs. In addition , if Employee is entitled to payment of both the Base Severance Payment and the CIC Severance Payment hereunder, then, to the maximum extent permissible under Section 409A (including, but not limited to, the application of Treas. Reg. §1.409A-1(b)(4), Treas. Reg. §1.409A-1(b)(9)(iii) and Treas. Reg. §1.409A-3(c) (clause (1) (in each case as and to the extent applicable)), the Base Severance Payment shall be paid in a lump sum at the same time as the CIC Severance Payment (and any portion of the Base Severance Payment that is not capable of being paid at the same time as the CIC Severance Payment shall be paid as provided in Section 5.b as aforesaid, and subject to Section 25). If Employee's employment is terminated by the Company without Cause or by Employee for Good Reason during a Potential Change in Control Period, then Employee will be entitled to the severance payments and termination benefits set forth in Section 5.b subject to the terms and conditions of such Section, and, if and when the Change in Control related to such Potential Change in Control Period subsequently occurs, (x) Employee will also be

entitled to receive the CIC Severance Payment subject to the terms and conditions of this Section 5.c, and (y) an additional six (6) months shall be added to the duration of the Medical and Dental Coverage as provided herein.

d. Parachute Tax Limitation. Notwithstanding anything in this Agreement to the contrary, if any amounts due to Employee under this Agreement and any other plan or program or award of Employer, the Company or any Affiliate constitute a "parachute payment," as such term is defined in Section 280G(b)(2) of the Code, and the amount of the parachute payment, reduced by the excise tax imposed pursuant to Section 4999 of the Code, is less than the amount Employee would receive if Employee were paid three times Employee's "base amount," as defined in Section 280G(b)(3) of the Code, less one dollar, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times Employee's base amount less one dollar. The calculations to be made with respect to this subsection shall be made by an accounting firm jointly selected by the Company and Employee and paid by the Company.

e. No Duty to Mitigate Nor Offsets; No Other Severance; No Reduction for Deferred Compensation. Notwithstanding anything in this Agreement to the contrary, if Employee's employment is terminated following a Change in Control of the Company, Employee shall have no duty to seek other employment nor shall any payments made or to be made to Employee pursuant to this Agreement following such Change in Control be offset by any amount earned from other employment or for any other reason. The payments to be provided to Employee pursuant to this Section 5 upon termination of Employee's employment shall constitute the exclusive payments in the nature of severance or termination pay or salary continuation and termination benefits which shall be due to Employee upon a termination of employment and shall be in lieu of any other such payments under any plan, program, policy or other arrangement which has heretofore been or shall hereafter be established by the Company or any of its Affiliates. The calculations of the Base Severance Payment and the CIC Severance Payment shall be made without reduction for any voluntary deferral of compensation made by Employee.

f. Full Satisfaction of Obligations. Payment by Employer or the Company of the amounts owed to Employee pursuant to this Section 5 shall fully satisfy all obligations of Employer and the Company to Employee under this Agreement if the employment of Employee is terminated hereunder prior to the expiration of the term of this Agreement, and all obligations of Employer and Employee to each other set forth in Sections 1 through 4 of this Agreement shall terminate and be of no further force or effect as of the date of termination. No termination of employment hereunder, whether by Employer or Employee and whether with or without Cause or Good Reason, shall terminate the provisions of Sections 6 or 7 or any subsequent sections of this Agreement and each of such sections shall remain in full force and effect as binding obligations of the Parties in accordance with their express terms.

6. **Business Disclosures.** Employee acknowledges that Employee has had and will have access to and has or will become familiar with all or substantially all of the

Confidential Information of the Company and its Affiliates. As a material inducement to the Company and Employer to enter into this Agreement and to pay to Employee the compensation stated herein, Employee covenants and agrees that Employee will not, at any time during or following the termination of Employee's employment with the Company, directly or indirectly divulge or disclose for any purpose whatsoever any Confidential Information that has been obtained by or disclosed to Employee in connection with Employee's employment with the Company or any of its Affiliates. If Employee is required in or pursuant to any legal, judicial or administrative proceeding (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, Employee shall notify, as promptly as practicable, the Company of such request or requirement so that the Company, at its expense, may seek an appropriate protective order or waive compliance with the provisions of this Agreement, and/or take any other action deemed appropriate by the Company. If, in the absence of a protective order or the receipt of a waiver hereunder, Employee is compelled or required by law or the order of any governmental, regulatory or self-regulatory body to disclose the Confidential Information, Employee may disclose only that portion of the requested Confidential Information which Employee is compelled or required to disclose, and Employee will exercise Employee's reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential Information.

7. **Non-Competition; Non-Solicitation; Non-Disparagement and Non-Interference.**

a. Employee shall not, directly or indirectly and whether on Employee's own behalf or on behalf of any other person, partnership, association, corporation or other entity, engage in or be an owner, director, officer, employee, agent, consultant or other representative of or for, or lend money or equipment to or otherwise support, any business that manufactures, engineers, markets, sells or provides, within a 250-mile radius of any then existing manufacturing facility of the Company and its subsidiaries and Affiliates, metal building systems or components (including, without limitation, primary and secondary framing systems, roofing systems, end or side wall panels, insulated metal panels, sectional or roll-up doors, windows, or other metal components of a building structure), coated or painted steel or metal coils, coil coating or coil painting services, or any other products or services that are the same as or similar to those manufactured, engineered, marketed, sold or provided by the Company or its subsidiaries and such Affiliates during the period of employment of Employee. Ownership by Employee of equity securities of the Company, or of equity securities in other public or privately-owned companies that compete with the Company constituting less than 1% of the voting securities in such companies, shall be deemed not to be a breach of this covenant. Employee agrees and stipulates that in any action or claim brought by Employee or in any action or claim brought against Employee involving the provisions of this Section 7, Employee hereby waives any claim or defense that the above non-competition covenants are unenforceable, void or voidable, for any reason, including, but not limited to, fraud, misrepresentation, illegality, unenforceable restraint of trade, failure of consideration, illusory contract, mistake, or any other substantive legal defense.

b. Employee shall not, directly or indirectly and whether on Employee's own behalf or on behalf of any other person, partnership, association, corporation or other entity, either (i) seek to hire or solicit the employment or service of any employee, agent or consultant of the Company or its Affiliates in a commercial capacity; (ii) in any manner attempt to influence or induce any employee, agent or consultant of the Company or its Affiliates to leave the employment or service of the Company or its Affiliates; (iii) use or disclose to any person, partnership, association, corporation or other entity any information concerning the names and addresses of any employees, agents or consultants of the Company or its Affiliates unless such use or disclosure is of a personal nature, is requested by the Company or is required by due process of law; or (iv) call upon, solicit, divert or attempt to call upon, solicit or divert the business of any customer, vendor or acquisition prospect of the Company or any of its Affiliates with whom Employee dealt, directly or indirectly, during Employee's engagement with the Company or its Affiliates. Employee shall not be prohibited from hiring or soliciting the employment or service of an agent or consultant of the Company or its Affiliates for purposes which do not violate Section 7 of this Agreement. Employee agrees and stipulates that in any action or claim brought by Employee or in any action or claim brought against Employee involving the provisions of this Section 7, Employee hereby waives any claim or defense that the above non-solicitation covenants are unenforceable, void or voidable, for any reason, including, but not limited to, fraud, misrepresentation, illegality, unenforceable restraint of trade, failure of consideration, illusory contract, mistake, or any other substantive legal defense.

c. To the extent permitted by the law, Employee agrees to refrain from any criticisms or disparaging comments about the Company or any Affiliates (including any current officer, director or employee of the Company), and Employee agrees not to take any action, or assist any person in taking any other action, that is adverse to the interests of the Company or any Affiliate or inconsistent with fostering the goodwill of the Company and its Affiliates; *provided*, *however*, that nothing in this Agreement shall apply to or restrict in any way the communication of information by the Company or Employee to any state or federal law enforcement, regulatory or judicial agency or official or to the Board or senior management of the Company or require notice to the Company thereof, and Employee will not be in breach of the covenant contained above solely by reason of testimony which is compelled by process of law. Nothing in this paragraph restricts, or is intended to restrict, any rights of Employee that cannot be lawfully restricted. Nothing in this Agreement shall be interpreted in a manner that limits or restricts Employee from exercising any legally protected whistleblower rights (including pursuant to Rule 21F promulgated under the Securities Exchange Act of 1934, as amended).

The foregoing covenants in this Section 7 shall remain in effect (i) during the period of employment of Employee by the Company and Employer, and (ii) for a period of one (1) year following Employee's termination of employment (whether initiated by Employee or by the Company or Employer) for any reason

8. **Consideration for Covenants; Reasonableness.** Employee acknowledges and agrees as follows:

a. The Confidential Information of the Company and its Affiliates is unique and was developed or acquired by them through the expenditure of valuable time and resources; that Employer, the Company and their Affiliates derive independent economic value from this Confidential Information not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; that Employer, the Company and their Affiliates have taken all prudent and necessary measures to preserve the proprietary and confidential nature of its Confidential Information, and that the covenants set forth in Sections 6 and 7 are the most reasonable, efficient and practical means to protect the Confidential Information.

b. The covenants set forth in Sections 6 and 7 are necessary to protect the goodwill of the Company and its Affiliates during the employment of Employee hereunder, and to ensure that such goodwill will be preserved and continued for the benefit of the Company and its Affiliates after Employee's employment terminates.

c. Due to the nature of the business as heretofore conducted by the Company and its Affiliates and as contemplated to be continued and conducted by the Company and its Affiliates, the scope and the duration of the covenants set forth in Sections 6 and 7 of this Agreement are in all respects reasonable.

d. The covenants set forth in Sections 6 and 7 each constitute a separate agreement independently supported by good and adequate consideration and that each such agreement shall be severable from the other provisions of this Agreement and shall survive this Agreement. The existence of any claim or cause of action of Employee against Employer or the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Employer and the Company of the covenants and agreements of Employee set forth in Sections 6 and 7.

9. **Surrender of Books and Records.** Employee shall on the termination of Employee's employment in any manner immediately surrender to the Company all lists, books, and records and other documents incident to the business of the Company and its Affiliates, and all other property belonging to any of them, it being understood that all such lists, books, records and other documents are the property of the Company and its Affiliates.

10. **Waiver of Breach.** The failure of the Company, Employer or Employee at any time to require performance by the other of any provision hereof shall in no way affect any of their respective rights thereafter to enforce the same, nor shall the waiver by the Company, Employer or Employee of any breach of any provision hereof be taken or held to be a waiver of any succeeding breach of any provision or as a waiver of the provision itself.

11. **Remedies.** In the event of Employee's breach, or threatened breach, of any term or provision contained in Section 6 or 7 of this Agreement, Employee agrees that the Company and its Affiliates shall suffer irreparable harm not compensable by

damages or other legal remedies, and that accordingly the Company and/or Employer shall be entitled to both temporary and permanent injunctive relief without the necessity of independent proof by it as to the inadequacy of legal remedies or the nature or extent of the irreparable harm suffered by it. The right of the Company and/or Employer to such relief shall not be construed to prevent it from pursuing, either consecutively or concurrently, any and all other legal or equitable remedies available to it for such breach or threatened breach, specifically including, without limitation, the recovery of monetary damages. Without limiting the generality of the relief that may be sought by the Company and/or Employer pursuant to this Section 11, the Company and/or Employer shall be entitled, under the circumstances set forth herein, to cause any unpaid portion of the severance payments and termination benefits otherwise payable under this Agreement to be irrevocably forfeited, and, at the demand of the Company and/or Employer, Employee shall be required to repay the severance payments that have previously been paid to Employee.

12. **Severability.** It is the desire and intent of the Parties that the provisions of Sections 6 and 7 be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought. If any provision of Sections 6 or 7 relating to the time period, scope of activities or geographic area of restrictions is declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the same shall be reduced to the maximum which such court deems enforceable. If any provisions of Sections 6 and 7 other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the intentions and agreement of the Parties. Furthermore, if any other provision contained in this Agreement should be held illegal, invalid or unenforceable in whole or in part by a court of competent jurisdiction, then it is the intent of the Parties hereto that the balance of this Agreement be enforced to the fullest extent permitted by applicable law and, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement, a provision as similar in its terms to such invalid provision as may be possible and be legal, valid, and enforceable.

13. **Attorneys' Fees.** In the event of any suit or judicial proceeding (other than an arbitration proceeding) between the Parties hereto with respect to this Agreement, the court in which such suit is decided may award reasonable attorneys' fees and costs, as actually incurred and including, without limitation, attorneys' fees and costs incurred in appellate proceedings to the party that prevails in such dispute; *provided, however,* that in respect of a suit that arises in respect of matters occurring during a Potential Change in Control Period or following a Change in Control, only Employee will be entitled to recover the attorneys' fees and costs under the circumstances described in this Section.

14. **Survival.** Notwithstanding anything to the contrary contained herein, the provisions of this Agreement that contemplate performance by the Parties following

termination of this Agreement (including without limitation Sections 5-7 hereof) shall survive the termination of this Agreement.

15. **Notice.** All notices hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified, registered or overnight mail, postage prepaid. Such notices shall be deemed to have been duly given upon receipt, if personally delivered, upon telephonic confirmation of receipt if sent by facsimile transmission, and if mailed, five days after the date of mailing (two days in the case of overnight mail), in each case addressed to the Parties at the following addresses or at such other addresses as shall be specified in writing and in accordance with this Section:

If to Employee:	Address shown on the employment records of the Company
If to the Company or Employer:	Cornerstone Building Brands, Inc. 5020 Weston Parkway Suite 400 Cary, North Carolina 27513 Telecopier: 281-897-7870 Attention: Executive Vice President, General Counsel & Corporate Secretary

16. **Entire Agreement.** This Agreement, together with the execution copies of the agreements attached as exhibits hereto, supersedes any and all other agreements, either oral or written, between the Parties hereto with respect to the subject matter hereof, and contains all of the covenants and agreements between the Parties with respect thereto; provided, that the covenants in Sections 6, 7 and 8 of this Agreement shall be in addition to, and do not replace, any similar covenants to which Employee is a party with the Company or any of its Affiliates. Except as expressly provided herein, the specific arrangements referred to herein are not intended to exclude or limit Employee's participation in other benefits available to Employee or personnel of the Company generally, or to preclude or limit other compensation or benefits as may be authorized by the Board at any time, or to limit or reduce any compensation or benefits to which Employee would be entitled but for the Agreement.

17. **Modification.** No change or modification of this Agreement shall be valid or binding upon the Parties hereto, nor shall any waiver of any term or condition in the future be so binding, unless such change or modification or waiver shall be in writing and signed by the Parties hereto.

18. **Governing Law and Venue.** This Agreement, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the State of Texas and venue for any action pursuant hereto shall be in the appropriate state or federal court in Harris County, Texas.

19. **Acknowledgment Regarding Counsel.** Each of the Parties to this Agreement acknowledges that each of them has had the opportunity to seek and has sought counsel to review this Agreement and to obtain and has obtained the advice of such counsel relating thereto.

20. **Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which shall constitute one and the same document.

21. **Assignment.** Subject to compliance with the provisions of this Agreement, each of the Company and Employer shall have the right to assign this Agreement and its obligations hereunder to any of their Affiliates. No such assignment shall operate to relieve Employer, the Company or any successor assignor from liability hereunder, and this Agreement shall remain an enforceable obligation of Employer, the Company and each such successor. The rights, duties and benefits to Employee hereunder are personal to him, and no such right or benefit may be assigned by him. For purposes of this Agreement, all references herein to Employer and the Company is deemed to be also a reference to any Affiliate of Employer or the Company that either has or is required to assume the obligations of the Company pursuant to this section.

22. **Tax Withholding.** The Company and/or Employer, as appropriate, may withhold from any payments or benefits payable under this Agreement all federal, state, city or other taxes required to be withheld pursuant to any law or governmental regulation or ruling.

23. **Joint and Several Obligations.** The duties and obligations of Employer and the Company set forth herein shall be the joint and several obligations of each of them.

24. **Payment to Estate.** If Employee dies prior to full satisfaction of the obligations owed to Employee under this Agreement, any monies that may be due Employee under this Agreement as of the date of Employee's death will be paid to Employee's estate.

25. **Section 409A.**

a. If Employee is a "specified employee," as such term is defined in Section 409A and determined as described below in this Section 25(a), and if any portion of the Base Severance Payment or CIC Severance Payment is subject to Section 409A, the character and timing of the payment thereof shall be as determined in this Section 25(a). It is hereby specified that as much of the Base Severance Payment or CIC Severance Payment as can be paid without the application of Section 409A(a)(2)(B)(i) and Treas. Reg. §1.409A-1(i) shall be paid at times consistent with Section 5.b or Section 5.c as applicable and without application of this Section 25. The remaining portion of the Base Severance Payment or CIC Severance Payment shall not be payable before the earlier of (i) the date that is six months after Employee's termination, (ii) the date of Employee's death, or (iii) one or more dates that otherwise

comply with the requirements of Section 409A. Employee shall be a "specified employee" for the twelve-month period beginning on April 1 of a year if Employee is a "key employee" as defined in Section 416(i) of the Code (without regard to Section 416(i)(5)) as of December 31 of the preceding year or using such dates as designated by the Compensation Committee in accordance with Section 409A and in a manner that is consistent with respect to all of the Company's nonqualified deferred compensation plans. For purposes of determining the identity of specified employees, the Compensation Committee may establish such procedures as it deems appropriate in accordance with Section 409A.

b. Employee and the Company agree that this Agreement is intended to comply with or be exempt from Section 409A and that any ambiguous provisions will be construed in a manner that is compliant with or exempt from the application of Section 409A. Without limiting the generality of the immediately preceding sentence, it is intended that the CIC Severance Payment and the Pro Rata Bonus shall be "short-term deferrals" within the meaning of Treas. Reg. §1.409A-1(b)(4) that are exempt from Section 409A. For purposes of Section 409A, each installment in a series of installment payments is intended to be a separate payment.

26. **Captions.** The captions, headings, and arrangements used in this Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof.

27. **Binding Effect.** This Agreement shall be binding upon the Parties hereto, together with their respective executors, administrators, successors, personal representatives, heirs and assigns.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date set forth herein.

EMPLOYEE

/s/ James F. Keppler

James F. Keppler

CORNERSTONE BUILDING BRANDS, INC.

By: /s/ Todd R. Moore

Todd R. Moore
Executive Vice President
and General Counsel

PLY GEM INDUSTRIES, INC.

By: /s/ Todd R. Moore
Todd R. Moore
Executive Vice President
and General Counsel

APPENDIX A
DEFINITIONS

The following terms have the indicated meanings for purposes of this Agreement:

(a) “Affiliate” means any entity controlled by, controlling or under common control with a person or entity.

(b) “Bonus Plan” has the meaning set forth in Section 4.b.

(c) “Cause” shall mean any of the following occurring after the Effective Date: (i) Employee’s willful and continued failure to substantially perform Employee’s duties and other obligations under this Agreement, if such failure continues for a period of thirty (30) days after written notice by the Company of the existence of such failure; *provided, however,* that only one such notice by the Company need be sent and, if such failure re-occurs thereafter, no further notice and opportunity to cure such failure shall be required; (ii) the willful engaging by Employee in gross misconduct materially and demonstrably injurious to the Company, as determined by the Company; or (iii) Employee’s conviction for committing an act of fraud, embezzlement, theft or other act constituting a felony (which shall not include any act or offense involving the operation of a motor vehicle); *provided, however*, that the Board or the then current Chairman of the Board must first provide to Employee written notice clearly and fully describing the particular acts or omissions which the Board or the then current Chairman of the Board reasonably believes in good faith constitutes Cause hereunder, and providing an opportunity, within thirty (30) days following the receipt of such notice, to meet in person with the Board or the then current Chairman of the Board to explain the alleged acts or omissions relied upon by the Board and, to the extent practicable, to cure such acts or omissions. For purposes of this Agreement, any termination of Employee’s employment for Cause shall be effective only upon delivery to Employee of a certified copy of a resolution of the Board, adopted by the affirmative vote of a majority of the entire membership of the Board following a meeting at which Employee was given an opportunity to be heard on at least five (5) business days’ advance written notice, finding that Employee was guilty of the conduct constituting Cause, and specifying the particulars thereof. Further, for the purposes of this Agreement, no act or failure to act on Employee’s part shall be considered willful unless done, or omitted from being done, by Employee not in good faith and without reasonable belief that Employee’s action or omission was in the best interest of the Company.

(d) “Change in Control” of the Company means the first occurrence of any of the following events following the Effective Date:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25 percent or more of the combined voting power of the Company’s then outstanding securities, excluding (A) any such acquisition by any person that owns such percentage of the Company’s then outstanding securities as of the Effective Date (a “**Controlling Person**”) and (B) any acquisition of the Company’s then outstanding securities following the Effective Date by a person which is inadvertent and/or otherwise

not entered into for the purpose of, and does not have the effect of, changing or influencing the control of, the Company (including, but not limited to, the sale of securities by a Controlling Person in the public market) (clause (A) or (B), a "**Non-Control Transaction**");

(ii) as a result of, or in connection with, any tender offer or exchange offer, merger, or other business combination (a "**Transaction**"), the persons who were directors of the Company immediately before the Transaction (each, an "**Incumbent Director**") shall cease to constitute a majority of the Board or the board of directors or any successor to the Company (or, if applicable, the parent thereof resulting from the Transaction); provided that any director elected or nominated for election to the Board (or such board) by a majority of the Incumbent Directors then still in office shall be deemed to be an Incumbent Director for purposes of this clause (ii), except that any member of the Board whose initial assumption of office occurs as a result of (including by reason of the settlement of) an actual or threatened proxy contest, election contest or other contested election of directors shall in no event be considered an Incumbent Director;

(iii) the Company is merged or consolidated with another person, or transfers substantially all of its assets to another person, and immediately following the merger, consolidation or transfer either (x)(I) less than 50 percent of the outstanding voting securities of the acquiring, surviving or resulting person (as applicable) shall then be owned in the aggregate by the former stockholders of the Company or (II) 50 percent or more of the outstanding voting securities of the acquiring, surviving or resulting person (as applicable) shall then be owned in the aggregate by the former stockholders of the Company but other than in substantially the same relative proportions as immediately prior to such transaction, and in each case excluding a Non-Control Transaction or (y) the individuals who were members of the Incumbent Board immediately prior to the agreement providing for such transaction constitute less than a majority of the members of the board of directors of the acquiring, surviving or resulting person (as applicable), or, if applicable the ultimate parent entity of such person, and in each case excluding a Non-Control Transaction; or

(iv) a tender offer or exchange offer is made and consummated for the ownership of securities of the Company representing 25 percent or more of the combined voting power of the Company's then outstanding voting securities (excluding a Non-Control Transaction).

In addition, and for avoidance of doubt, in no event shall a Change in Control be deemed to have occurred solely as a result of investment funds affiliated with Clayton, Dubilier & Rice, LLC selling in the public market equity securities held by them as of the Effective Date.

Employee agrees that the foregoing definition of "Change in Control" shall apply for all purposes under the compensation plans and benefit arrangements of the Company and Employer to which Employee is a party (including equity awards) such that, if a transaction or other event would not be a Change in Control under the foregoing

definition but would be a Change in Control under another such plan or arrangement, such transaction or other event shall also not be a Change in Control under such other plan or arrangement.

(e) “Confidential Information” means all information, whether oral or written, previously or hereafter developed, that relates to the business as heretofore conducted by the Company, or which is hereafter otherwise acquired or used by the Company or its subsidiaries and Affiliates, that is not generally known to others in the Company’s area of business or, if known, was obtained wrongfully by such other person or entity or with knowledge that it was proprietary or confidential information of or relating to the business as heretofore conducted by the Company or of or relating to the business of the Company or its subsidiaries and Affiliates. Confidential Information shall include, without limitation, trade secrets, methods or practices, financial results or plans, customer or client lists, personnel information, information relating to negotiations with clients or prospective clients, proprietary software, databases, programming or data transmission methods, or copyrighted materials (including without limitation, brochures, layouts, letters, art work, copy, photographs or illustrations). It is expressly understood that the foregoing list shall be illustrative only and is not intended to be an exclusive or exhaustive list of Confidential Information.

(f) “Good Reason” means any of the following events that occurs without Employee’s prior written consent after the Effective Date:

(i) any material reduction in the amount of Employee’s then current base salary or target bonus opportunity, in either case other than as part of a reduction of less than ten percent (10%) applied generally across-the-board to all of the senior executive officers of the Company;

(ii) (A) a material reduction in Employee’s title; or (B) a material, adverse reduction in the authorities, duties or responsibilities of Employee relative to Employee’s duties or responsibilities as described in Section 2 hereof;

(iii) the breach or failure by the Company or Employer to perform any of its material covenants contained in this Agreement;

(iv) any relocation of Employee’s principal place of employment by more than fifty (50) miles, as long as such relocation increases Employee’s normal daily commute; or

(v) the Company’s failure to cause any successor to all or substantially all of the business or assets of the Company and/or the Employer to expressly agree to assume the obligations of the Company and/or the Employer under this Agreement, unless such assumption occurs automatically by operation of law.

In order for a termination of Employee to constitute a termination for Good Reason, Employee must notify the Company of the circumstances claimed to constitute Good Reason in writing not later than the thirtieth (30th) day after such circumstances have

arisen or occurred and must provide the Company with at least thirty (30) days within which to cure such circumstances before terminating employment, and, failing a cure, Employee must terminate Employee's employment within thirty (30) days following the expiration of such cure period.

(g) "Potential Change in Control" of the Company shall be deemed to have occurred, if:

(i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Company;

(ii) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Company; or

(iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(h) "Potential Change in Control Period" means the period beginning on the date the Potential Change in Control occurs and ending as of the earlier of (i) the date on which a Change in Control occurs or (ii) the date the Board makes a good faith determination that the risk of a Change in Control has terminated. In addition, Employee's employment shall be deemed to have been terminated during a Potential Change in Control Period if such termination occurs prior to a Change in Control and such termination is by the Company other than for Cause and is (x) at the request of the counterparty in such Change in Control or (y) otherwise reasonably in anticipation of such Change in Control, provided that such Change in Control actually occurs.

(i) "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

Appendix B General Release

Release and Waiver of Claims. In consideration of the payments and benefits to which you are entitled under that certain Agreement, dated as of August 25, 2020, to which you, Cornerstone Building Brands, Inc., and Ply Gem Industries, Inc. (the "**Companies**") are parties (the "**Agreement**"), you hereby waive and release and forever discharge each of the Companies and their respective parent entities, subsidiaries, divisions, limited partnerships, affiliated corporations, successors and assigns and their respective past and present directors, managers, officers, stockholders, partners, agents, employees, insurers, attorneys, and servants each in his, her or its capacity as such, and each of them, separately and collectively (collectively, "**Releasees**"), from any and all existing claims, charges, complaints, liens, demands, causes of action, obligations, damages and liabilities, known or unknown, suspected or unsuspected, whether or not mature or ripe, that you ever had and now have against any Releasee arising out of or in any way related to your employment with or separation from the Companies, to any services performed for the Companies, to any status, term or condition in such employment, or to any physical or mental harm or distress from such employment or non-employment or claim to any hire, rehire or future employment of any kind by the Companies, all to the extent allowed by applicable law. This release of claims includes, but is not limited to, claims based on express or implied contract, compensation plans, covenants of good faith and fair dealing, wrongful discharge, claims for discrimination, harassment and retaliation, violation of public policy, tort or common law, whistleblower or retaliation claims; and claims for additional compensation or damages or attorneys' fees or claims under federal, state, and local laws, regulations and ordinances, including but not limited to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Worker Adjustment and Retraining Notification Act ("**WARN**"), or equivalent state WARN act, the Employee Retirement Income Security Act, and the Sarbanes-Oxley Act of 2002. You understand that this release of claims includes a release of all known and unknown claims through the date on which this release of claims becomes irrevocable.

Limitation of Release: Notwithstanding the foregoing, this release of claims will not prohibit you from filing a charge of discrimination with the National Labor Relations Board, the Equal Employment Opportunity Commission or an equivalent state civil rights agency, but you agree and understand that you are waiving your right to monetary compensation thereby if any such agency elects to pursue a claim on your behalf. Further, nothing in this release of claims shall be construed to waive any right that is not subject to waiver by private agreement under federal, state or local employment or other laws, such as claims for workers' compensation or unemployment benefits or any claims that may arise after the date on which this release of claims becomes irrevocable. In addition, nothing in this release of claims will be construed to affect any of the following claims, all rights in respect of which are reserved:

(a) Any payment or benefit set forth in the Agreement;

(b) Any rights as a shareholder of Cornerstone Building Brands, Inc.;

(c) Reimbursement of unreimbursed business expenses properly incurred prior to the termination date in accordance with policy of the Companies;

(d) Claims in respect of equity compensation owned by you ;

(e) Vested benefits under the general employee benefit plans (other than severance pay or termination benefits under general policy of the Companies, all rights to which are hereby waived and released);

(f) Any claim for unemployment compensation or workers' compensation administered by a state government to which you are presently or may become entitled;

(g) Any claim that either of the Companies has breached this release of claims; and

(h) Indemnification as a current or former director or officer of either of the Companies or any of its subsidiaries (including as a fiduciary of any employee benefit plan), or inclusion as a beneficiary of any insurance policy related to your service in such capacity.

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(b)/15d-14(a)

I, James S. Metcalf, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cornerstone Building Brands, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 10, 2020

/s/ James S. Metcalf

James S. Metcalf
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(b)/15d-14(a)

I, Jeffrey S. Lee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cornerstone Building Brands, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 10, 2020

/s/ Jeffrey S. Lee

Jeffrey S. Lee
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT

In connection with the quarterly report on Form 10-Q of Cornerstone Building Brands, Inc. (the "Company") for the quarter ended October 3, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James S. Metcalf, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. I have reviewed this Report of the Company;

2. This Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

3. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2020

/s/ James S. Metcalf

James S. Metcalf
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

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

This Certification shall not be deemed to be "filed" or part of the Report or incorporated by reference into any of the registrant's filings with the Securities and Exchange Commission by implication or by any reference in any such filing to the Report.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT

In connection with the quarterly report on Form 10-Q of Cornerstone Building Brands, Inc. (the "Company") for the quarter ended October 3, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey S. Lee, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. I have reviewed this Report of the Company;

2. This Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

3. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2020

/s/ Jeffrey S. Lee

Jeffrey S. Lee
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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

This Certification shall not be deemed to be "filed" or part of the Report or incorporated by reference into any of the registrant's filings with the Securities and Exchange Commission by implication or by any reference in any such filing to the Report.