BlueLinx Holdings Inc.
Form 10-K
March 13, 2019

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xbrli:shares bxc:employee bxc:plan bxc:Agreement

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

Form 10-K

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

For the fiscal year ended December 29, 2018
OR
o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission file number: 1-32383

BlueLinx Holdings Inc.
(Exact name of registrant as specified in its charter)

Delaware	**77-0627356**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***
1950 Spectrum Circle, Suite 300, Marietta, Georgia	**30067**
(Address of principal executive offices)	***(Zip Code)***

Registrant's telephone number, including area code: 770-953-7000
Securities registered pursuant to Section 12(b) of the Act

Title of Each Class	**Name of Each Exchange on Which Registered**
Common stock, par value $0.01 per share	**New York Stock Exchange**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
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 þ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
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 o Accelerated filer o Non-accelerated filer o Smaller reporting company þ

Emerging growth company o

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 Act). Yes o No þ

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2018 was$334,707,890, based on the closing price on the New York Stock Exchange of $37.53 per share on June 29, 2018.

As of February 28, 2019, the registrant had 9,342,864 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference to the registrant's definitive Proxy Statement, to be filed with the Securities and Exchange Commission within 120 days of the close of the fiscal year ended December 29, 2018.

BLUELINX HOLDINGS INC.
ANNUAL REPORT ON FORM 10-K
For the fiscal year ended December 29, 2018

TABLE OF CONTENTS

PART I

ITEM 1	Business	4
ITEM 1A	Risk Factors	7
ITEM 1B	Unresolved Staff Comments	19
ITEM 2	Properties	21
ITEM 3	Legal Proceedings	21
ITEM 4	Mine Safety Disclosures	21

PART II

ITEM 5	Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	22
ITEM 6	Selected Financial Data	22
ITEM 7	Management’s Discussion and Analysis of Financial Condition and Results of Operations	23
ITEM 7A	Quantitative and Qualitative Disclosures about Market Risk	35
ITEM 8	Financial Statements and Supplementary Data	36
ITEM 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	70
ITEM 9A	Controls and Procedures	70
ITEM 9B	Other Information	72

PART III

ITEM 10	Directors, Executive Officers, and Corporate Governance	73
ITEM 11	Executive Compensation	73
ITEM 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	73
ITEM 13	Certain Relationships and Related Transactions, and Director Independence	74
ITEM 14	Principal Accountant Fees and Services	74

PART IV

ITEM 15	Exhibits and Financial Statement Schedules	75
ITEM 16	Form 10-K Summary	79
	Signatures	80

As used herein, unless the context otherwise requires, “BlueLinx,” the “Company,” “we,” “us,” and “our” refer to BlueLinx Holdings Inc. and its wholly-owned subsidiaries. Reference to “fiscal 2018” refers to the 52-week period ending December 29, 2018. Reference to “fiscal 2017” refers to the 52-week period ended December 30, 2017. Reference to “fiscal 2016” refers to the 52-week period ended December 31, 2016. Reference to “fiscal 2015” refers to the 52-week period ended January 2, 2016.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains information that may constitute “forward-looking statements.” Words such as “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Item 1A. Risk Factors, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

PART I

ITEM 1. ***BUSINESS***

Company Overview

We are a leading distributor of building and industrial products in the United States (“U.S.”). The Company is headquartered in Georgia, with executive offices located at 1950 Spectrum Circle, Marietta, Georgia, and we operate our distribution business through a broad network of distribution centers. We serve many major metropolitan areas in the U.S., and deliver building and industrial products to a variety of wholesale and retail customers.

We were incorporated on March 8, 2004 as ABP Distribution Holdings, Inc. (“ABP”). ABP was majority-owned by an affiliate of Cerberus Capital Management, L.P., a private, New York-based investment firm. On May 7, 2004, Georgia-Pacific Corporation sold the assets of its distribution division to ABP. ABP subsequently merged into BlueLinx Holdings Inc., a Delaware corporation formed on August 26, 2004. On December 17, 2004, we consummated an initial public offering of our common stock.

On October 23, 2017, Cerberus completed the public offering and sale of approximately 97% of its ownership interest in the Company. Cerberus subsequently sold its remaining ownership interest in the Company.

Significant Recent Transactions

On January 10, 2018, we completed sale-leaseback transactions on four of our distribution centers. We sold these properties for gross proceeds of $110.0 million. The net proceeds received from the transactions were used to pay the remaining $97.8 million balance of our 2006 Commercial Mortgage-Backed Securities (“CMBS”) mortgage, in its entirety, in the first quarter of fiscal 2018.

On April 13, 2018, we completed the acquisition of Cedar Creek Holdings, Inc. (“Cedar Creek”) for a preliminary purchase price of approximately $361.8 million. As a result of the acquisition, we increased the number of our distribution facilities to approximately 70 facilities, and increased the number of our full-time employees to approximately 2,600. The merger allowed us to expand our product offerings and geographical footprint.

Fiscal Year

Fiscal 2018, fiscal 2017, and fiscal 2016 each were comprised of 52 weeks.

Products and Services

We distribute products in two principal categories: structural products and specialty products. Structural products, which represented approximately 45%, 46% and 41% of our fiscal 2018, fiscal 2017, and fiscal 2016 gross sales, respectively, include plywood, oriented strand board, rebar and remesh, lumber, spruce and other wood products primarily used for structural support, walls, and flooring in construction projects. Specialty products, which represented approximately 55%, 54% and 59% of our fiscal 2018, fiscal 2017 and fiscal 2016 gross sales, respectively, include engineered wood products, moulding, siding (including vinyl products), cedar, metal products (excluding rebar and remesh) and insulation. In some cases, these products are branded by us.

We also provide a wide range of value-added services and solutions to our customers and suppliers including:

- providing “less-than-truckload” delivery services;
- pre-negotiated program pricing plans;
- inventory stocking;
- automated order processing through an electronic data interchange, or “EDI”, that provides a direct link between us and our customers;
- intermodal distribution services, including railcar unloading and cargo reloading onto customers’ trucks;
- milling and fabrication services; and
- backhaul services, when otherwise empty trucks are returning from customer deliveries.

Distribution Channels

We sell products through three main distribution channels: warehouse sales, direct sales, and reload sales.

Warehouse sales are delivered from our warehouses to dealers, home improvement centers, and industrial users. Warehouse sales accounted for approximately 78% of our fiscal 2018 gross sales, and 74% of both our fiscal 2017, and fiscal 2016 gross sales.

Direct sales are shipped from the manufacturer to the customer without our taking physical inventory possession. This channel requires the lowest amount of committed capital and fixed costs. Direct sales accounted for approximately 18%, 19% and 20% of our fiscal 2018, fiscal 2017, and fiscal 2016 gross sales, respectively.

Reload sales are similar to warehouse sales but are shipped from third-party warehouses where we store owned product to enhance operating efficiencies. This channel is employed primarily to service strategic customers that would be less economical to service from our warehouses, and to distribute large volumes of imported products from port facilities. Reload sales accounted for approximately 4%, 7%, and 6% of our fiscal 2018, fiscal 2017, and fiscal 2016 gross sales, respectively.

Competition

The U.S. building products distribution market is a highly fragmented market, served by national and multi-regional distributors, regionally focused distributors, and independent local distributors. Local and regional distributors tend to be closely held and often specialize in a limited number of segments, in which they offer a broader selection of products. Some of our national and multi-regional competitors are part of larger companies and therefore may have access to greater financial and other resources than those to which we have access. We compete on the basis of breadth of product offering, consistent availability of product, product price and quality, reputation, service, and distribution facility location.

Two of our largest competitors are Boise Cascade Company and Weyerhaeuser Company. Most major markets in which we operate are served by the distribution arm of at least one of these companies.

Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of unfavorable weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting an increase in construction due to more favorable weather conditions. Our working capital, accounts receivable, and accounts payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season.

Employees

As of December 29, 2018, we employed approximately 2,400 employees. We consider our relationship with our employees generally to be good.

Executive Officers

The following are the executive officers of our Company as of March 13, 2019:

Mitchell B. Lewis, age 57, has served as our President and Chief Executive Officer, and as a Director of BlueLinx Holdings Inc. since 2014. Mr. Lewis has held numerous leadership positions in the building products industry since 1992. Mr. Lewis served as President and Chief Executive Officer of Euramax Holdings, Inc., a building products manufacturer, from February 2008, through November 2013. Mr. Lewis also served as Chief Operating Officer in 2005, Executive Vice President in 2002, and group Vice President in 1997 of Euramax Holdings, Inc. and its predecessor companies. Prior to being appointed group Vice President, Mr. Lewis served as President of Amerimax Building Products, Inc. Prior to 1992, Mr. Lewis served as Corporate Counsel with Alumax Inc. and practiced law with Alston & Bird LLP, specializing in mergers and acquisitions. Mr. Lewis received a Bachelor of Arts degree in Economics from Emory University, and a Juris Doctor degree from the University of Michigan.

Susan C. O'Farrell, age 55, has served as our Senior Vice President, Chief Financial Officer, Treasurer, and Principal Accounting Officer since 2014. Prior to joining us, Ms. O'Farrell was a senior financial executive holding several roles with The Home Depot, Inc. since 1999. As The Home Depot's Vice President of Finance, she led teams supporting the retail organization. Ms. O'Farrell was also responsible for the finance function for The Home Depot's At Home Services Group. Ms. O'Farrell led the financial operations of The Home Depot, and she served as the VP Finance for

the Northern Division of the

company. Ms. O'Farrell began her career with Andersen Consulting, LLP (now Accenture), leaving as an Associate Partner in 1996 for a strategic information systems role with AGL Resources (now Southern Company Gas). Ms. O'Farrell earned a Bachelor of Science degree in Business Administration from Auburn University and completed Emory University's Executive Leadership program.

Alexander S. Averitt, age 42, has served as our Chief Operating Officer since April 2018. From September 2017 to April 2018, Mr. Averitt was President and Chief Executive Officer at Cedar Creek, LLC. He joined Cedar Creek in 2005 as a sales manager and served in various roles for the company, including Chief Operating Officer from April 2015 to September 2017, and Vice President of Information Technology from May 2014 to April 2015. Prior to joining Cedar Creek, Mr. Averitt spent nine years in various roles with Jeld-Wen Inc., including as a General Manager. Mr. Averitt earned a Bachelor of Professional Studies degree from Arkansas Tech University.

Justin B. Heineman, age 47, has served as our Vice President, General Counsel, and Corporate Secretary since May 2018. Mr. Heineman joined us after 8 years with NCR Corporation. At NCR, Mr. Heineman served as Law Vice President, Chief Corporate Counsel and Assistant Secretary from October 2015 to May 2018, where he was responsible for oversight of the company's corporate legal function, including mergers and acquisitions, corporate governance and securities law compliance. From February 2010 to October 2015, Mr. Heineman served as NCR's Senior Corporate Counsel and Assistant Secretary. Prior to joining NCR, Mr. Heineman was a partner in the Atlanta office of Kilpatrick, Townsend & Stockton LLP. Mr. Heineman received a Bachelor of Arts degree from Duke University, and Juris Doctor degree from The University of North Carolina.

Ronald K. Herrin, age 55, has served as our Vice President, Procurement since April 2018. From January 2014 to April 2018, Mr. Herrin served as our Vice President of National Accounts, from January 2012 to December 2013 he served as our Director of National Accounts - Pro Dealers & Specialty Distributors, and from September 2007 to January 2012, he served as a Senior National Account Manager. Prior to joining us, Mr. Herrin held several positions within the building material industry for U.S. Lumber Group, LLC, Weyerhaeuser, and MacMillan Bloedel Limited. Mr. Herrin earned a Bachelor of Science degree in Political Science from the University of Florida.

Shyam K. Reddy, age 44, has served as our Senior Vice President and Chief Transformation officer since April 2018. He served as our Senior Vice President, Chief Administrative Officer, General Counsel, and Corporate Secretary from May 2017 to April 2018. From June 1, 2015 until May 2017, Mr. Reddy served as our Senior Vice President, General Counsel and Corporate Secretary. Prior to joining us, Mr. Reddy served as Senior Vice President, Chief Administrative Officer, General Counsel, and Corporate Secretary of Euramax Holdings, Inc., from March 2013 to March 2015. Prior to joining Euramax Holdings, Inc., Mr. Reddy was the Regional Administrator of the Southeast Sunbelt Region of the U.S. General Services Administration from March 2010 to March 2013. Prior to accepting the Presidential Appointment at the U.S. General Services Administration, Mr. Reddy practiced corporate law as a partner in the Atlanta office of Kilpatrick Townsend & Stockton LLP. Mr. Reddy received a Bachelor of Arts degree in Political Science, and a Master of Public Health degree from Emory University, and also received a Juris Doctor degree from the University of Georgia.

Brian J. Sasadu, age 45, has served as our Chief Human Resource Officer since January 2019. Before joining BlueLinx, from 2003 to December 2018, Mr. Sasadu served in various roles with Coca-Cola Refreshments USA, Inc. ("CCR"), the North American bottling and distribution arm of The Coca-Cola Company. From July 2016 to December 2018, Mr. Sasadu served as CCR's Senior Vice President, Human Resources. Before that, Mr. Sasadu served as CCR's Vice President, Human Resources - Supply Chain, US Region and Commercial from April 2014 to July 2016, and as CCR's Vice President, Labor & Employment practices from August 2007 to April 2014. Mr. Sasadu began his career in Atlanta at the international law firm of King & Spalding LLP where he practiced law with the Labor and Employment team. Mr. Sasadu received a Bachelor of Arts degree in Political Science and a Juris Doctor degree from the University of Florida.

D. Wayne Trousdale, age 55, has served as our Vice President - Operating Companies since April 2018. Before joining us, Mr. Trousdale served as the Executive Chairman of the Board of Directors for Cedar Creek, LLC from September 2017 to April 2018. Mr. Trousdale joined Cedar Creek in 1985 while still a college student, and served in various roles at Cedar Creek, including as Chief Executive Officer from March 2015 to September 2017, Chief Operating Officer from 2012 to March 2015, and in various sales and other roles before that. Mr. Trousdale became an

owner of Cedar Creek in 1988. Mr. Trousdale also serves as a member of the board of directors of First National Bank & Trust Co., and Sigma Nu Fraternity, and as the Secretary and Treasurer of Citizen Potawatomi Nation. Mr. Trousdale received a Bachelor of Arts degree in Finance from the University of Oklahoma.

Environmental and Other Governmental Regulations

The Company is subject to various federal, state, provincial and local laws, rules, and regulations. We are subject to environmental laws, rules, and regulations that limit discharges into the environment, establish standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of hazardous materials, substances and wastes, and require cleanup of contaminated soil and groundwater. These laws, ordinances, and regulations are complex, change frequently and have tended to become more stringent over time. Many of them provide for substantial fines and penalties, orders (including orders to cease operations), and criminal sanctions for violations. They may also impose liability for property damage and personal injury stemming from the presence of, or exposure to, hazardous substances. In addition, certain of our operations require us to obtain, maintain compliance with, and periodically renew environmental permits.

Certain of these environmental laws, including the Comprehensive Environmental Response, Compensation, and Liability Act, may require the investigation and cleanup of an entity's or its predecessor's current or former properties, even if the associated contamination was caused by the operations of a third party. These laws also may require the investigation and cleanup of third-party sites at which an entity or its predecessor sent hazardous wastes for disposal, notwithstanding that the original disposal activity accorded with all applicable requirements. Liability under such laws may be imposed jointly and severally, and regardless of fault.

We are also subject to the requirements of the U.S. Department of Labor Occupational Safety and Health Administration ("OSHA"). In order to maintain compliance with applicable OSHA requirements, we have established uniform safety and compliance procedures for our operations, and implemented measures to prevent workplace injuries.

The U.S. Department of Transportation ("DOT") regulates our operations in domestic interstate commerce. We are subject to safety requirements governing interstate operations prescribed by the DOT. We are also subject to the oversight of the Federal Motor Carrier Safety Administration ("FMCSA"). Vehicle dimensions and driver hours of service also remain subject to both federal and state regulation.

We have incurred and will continue to incur costs to comply with the requirements of environmental, health and safety, and transportation laws, ordinances, and regulations. These requirements could become more stringent in the future, and we cannot assure you that compliance costs will not be material.

Securities Exchange Act Reports

The Company maintains a website at www.BlueLinxCo.com. The information on the Company's website is not incorporated by reference in this Annual Report on Form 10-K. We make available on or through our website certain reports, and amendments to those reports, that we file with or furnish to the U.S. Securities and Exchange Commission (the "SEC") in accordance with the Securities Exchange Act of 1934, as amended. These include our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and proxy statements. Additionally, our code of ethical conduct, the board committee charter for each of our audit committee, compensation committee, and nominating and governance committee, and our corporate governance guidelines are available on our website. If we amend our code of ethical conduct, or grant any waiver, including any implicit waiver, for any board member, our chief executive officer, our chief financial officer, or any other executive officer, we will disclose such amendment or waiver on our website.

We make information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. In addition, copies of this information will be made available, free of charge, on written request, by writing to BlueLinx Holdings Inc., Attn: Corporate Secretary, 1950 Spectrum Circle, Suite 300, Marietta, Georgia, 30067.

ITEM 1A. *RISK FACTORS*

In addition to the other information contained in this Form 10-K, including the information set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

We may be unable to successfully integrate the operations of Cedar Creek or future acquisitions.

We may not be able to integrate the operations of Cedar Creek with our own operations in an efficient and cost-effective manner or without significant disruption to our or Cedar Creek's existing operations. Moreover, acquisitions, such as the Cedar Creek acquisition, involve significant risks and uncertainties, including uncertainties as to the future financial performance of

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the acquired business, the achievement of expected synergies, difficulties integrating acquired personnel and corporate cultures into our business, the potential loss of employees, customers, suppliers or products, difficulty in integrating different computer and accounting systems, exposure to unforeseen liabilities of acquired companies and the diversion of management attention and resources from existing operations. Our failure to integrate Cedar Creek's business effectively and at anticipated costs, or to manage other consequences of the acquisition, including increased indebtedness, could prevent us from achieving anticipated synergies from the acquisition, and could adversely affect our financial condition, operating results and cash flows.

As part of our overall strategy, we may make additional acquisitions or investments in the future. These acquisitions or investments would be subject to the same risks and uncertainties described above. If we do not effectively manage those risks and uncertainties, or we are unable to successfully integrate newly acquired businesses with ours, we may not be able to achieve anticipated synergies, and our financial condition, operating results and cash flows may be negatively affected.

Our level of indebtedness could limit our financial and operating activities and adversely affect our ability to incur additional debt to fund future needs.

At December 29, 2018, we had approximately $333 million of debt outstanding under our revolving credit facility, and approximately $179 million of debt outstanding under our term loan facility. This level of indebtedness could have considerable consequences for us. For example, our substantial indebtedness could:

- make us more vulnerable to general adverse economic and industry conditions;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions, and other general corporate requirements;
- expose us to interest rate fluctuations because the interest rate on the debt under our revolving credit facility is variable;
- require us to dedicate a substantial portion of our cash flows to payments on our debt, thereby reducing the availability of our cash flows for operations and other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business, and the industry in which we operate; and
- place us at a competitive disadvantage compared to competitors that may have proportionately less debt, and therefore may be in a better position to obtain favorable credit terms.

If compliance with our debt obligations materially limits our financial or operating activities, or hinders our ability to adapt to changing industry conditions, we may lose market share, our revenue may decline and our operating results may be negatively affected.

Our cash flows and capital resources may be insufficient to make required payments on our substantial indebtedness or future indebtedness.

Our ability to make scheduled payments under our revolving credit facility and term loan facility depends on our successful financial and operating performance, cash flows, and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business, and other factors, many of which are beyond our control. These factors include, among others:

- economic and demand factors affecting the building products distribution industry;
- external factors affecting availability of credit;
- pricing pressures;
- increased operating costs;
- competitive conditions; and
- other operating difficulties.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital, or restructure our debt. There is no assurance that we could obtain additional capital or refinance our debt on terms acceptable to us, or at all. If we are required to dispose of material assets or operations to meet our debt service and other obligations, the value realized on the disposition of such assets or operations will depend on market conditions and the availability of buyers. Accordingly, any such sale may not, among other things, be for a sufficient dollar amount to repay our indebtedness. If we do not make scheduled payments on our debt, we will be in default and the outstanding principal

and interest on our debt could be declared to be due and payable, in which case we could be forced into bankruptcy or liquidation or required to substantially restructure or alter our business operations or debt obligations.

The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business, including requiring us to maintain a minimum level of excess liquidity.

Our revolving credit facility and term loan facility contain various restrictive covenants and restrictions, including customary financial covenants that limit management's discretion in operating our business. In particular, these instruments limit our ability to, among other things:

- incur additional debt;
- grant liens on assets;
- make investments;
- sell or acquire assets, including certain real estate assets, outside the ordinary course of business;
- engage in transactions with affiliates; and
- make fundamental business changes.

The term loan facility also contains certain affirmative covenants, and requires us to comply with a financial coverage ratio regarding our debt relative to our Consolidated EBITDA (as defined in the term loan facility).

Borrowings under the revolving credit facility are subject to availability under the Borrowing Base (as defined in the Credit Agreement). We are required to repay revolving loans thereunder to the extent that they exceed the Borrowing Base then in effect. In addition, if availability above the Borrowing Base (i.e., excess availability) falls below the greater of (i) $50.0 million and (ii) 10% of the lesser of (a) the Borrowing Base, and (b) the maximum permitted credit at such time, the revolving credit facility requires us to maintain a fixed charge coverage ratio of 1.0 to 1.0 until such time as our excess availability has been at least (i) $50.0 million and (ii) 10% of the lesser of (a) the Borrowing Base, and (b) the maximum permitted credit at such time for a period of 30 days.

These covenants and restrictions could affect our ability to operate our business, and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. Additionally, our ability to comply with these covenants may be affected by events beyond our control, including general economic and credit conditions and industry downturns.

If we fail to comply with these covenants and restrictions, a default may allow the creditors under the relevant instruments to accelerate the related debts and to exercise their remedies under these agreements, which typically will include the right to declare the principal amount of that debt, together with accrued and unpaid interest, and other related amounts, immediately due and payable, to exercise any remedies the creditors may have to foreclose on assets that are subject to liens securing that debt, and to terminate any commitments they had made to supply further funds.

Borrowings under our revolving credit facility and term loan facility bear interest at a variable rate, which subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our revolving credit facility and term loan facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on this variable rate indebtedness would increase even though the amount borrowed remained the same. Although we may elect in the future to take certain actions to reduce interest rate volatility in connection with our variable rate borrowings, we cannot provide assurances that we will be able to do so or that those actions will be effective.

Despite our current levels of debt, we may still incur more debt, which would increase the risks described in these risk factors relating to indebtedness.

The agreements relating to our debt significantly limit, but do not prohibit, our ability to incur additional debt. In addition, certain types of liabilities are not considered "Indebtedness" under the agreements relating to our debt. Accordingly, we could incur additional debt or similar liabilities in the future. If new debt or similar liabilities are added to our current debt levels, the related risks that we now face could increase.

Certain of our products are commodities and fluctuations in prices of these commodities could affect our operating results.

Many of the building products which we distribute, including oriented strand board, plywood, lumber, and rebar, are commodities that are widely available from other distributors or manufacturers, with prices and volumes determined frequently in an auction market based on participants' perceptions of short-term supply and demand factors. Prices of commodity products can also change as a result of national and international economic conditions, labor and freight costs, competition, market

speculation, government regulation and trade policies, as well as from periodic delays in the delivery of products. Short-term increases in the cost of these materials, some of which are subject to significant fluctuations, are sometimes passed on to our customers, but our pricing quotation periods and pricing pressure from our competitors may limit our ability to pass on such price changes. We may also be limited in our ability to pass on increases in freight costs on our products.

At times, the sale price for any one or more of the products we produce or distribute may fall below our purchase costs, requiring us to incur losses on product sales. Therefore, our profitability with respect to these commodity products depends, in significant part, on managing our cost structure. Commodity product prices could be volatile in response to operating rates and inventory levels in various distribution channels. Commodity price volatility affects our distribution business, with falling price environments generally causing reduced revenues and margins, potentially resulting in substantial declines in profitability and possible net losses.

Adverse housing market conditions may negatively impact our business, liquidity and results of operations, and increase the credit risk from our customers.

Our business depends to a significant degree on the new residential construction market and, in particular, single family home construction. The homebuilding industry peaked in 2005, and then underwent a significant decline. Although the homebuilding industry has improved and continues to improve, it is still far below its historical averages. According to the U.S. Census Bureau, actual single-family housing starts in the United States during 2018 increased 2.6% from 2017 levels, but remain 49.2% below their peak in 2005. The multi-year downturn in the homebuilding industry resulted in a substantial reduction in demand for the products we provide. We cannot predict the duration of the current housing industry market conditions or the timing or strength of any continued recovery of housing activity in our markets. The homebuilding industry also may not recover to historical levels. Continued weakness in the new residential construction market would have a material adverse effect on our business, financial condition, and operating results. Factors impacting the level of activity in the residential new construction markets include changes in interest rates, unemployment rates, high foreclosure rates and unsold/foreclosure inventory, availability of financing, labor costs, vacancy rates, local, state and federal government regulation (including mortgage interest deductibility and other tax laws), weakening in the U.S. economy or of any regional or local economy in which we operate and shifts in populations away from the markets that we serve. In addition, the mortgage markets periodically experience disruption and reduced availability of mortgages for potential homebuyers due to more restrictive standards to qualify for mortgages, including with respect to new home construction loans. Because of these factors, there may be fluctuations in our operating results, and the results for any historical period may not be indicative of results for any future period.

We also rely on residential repair and remodel activity levels. Historically, residential repair and remodeling activity has decreased in slow economic periods. General economic weakness, elevated unemployment levels, mortgage delinquency and foreclosure rates, limitations in the availability of mortgage and home improvement financing, and lower housing turnover all limit consumers' spending, particularly on discretionary items, and affect their confidence level leading to reduced spending on home improvement projects. Depressed activity levels in consumer spending for home improvement construction would adversely affect our business, liquidity, results of operations, and financial position. Furthermore, economic weakness causes unanticipated shifts in consumer preferences and purchasing practices, and in the business models and strategies of our customers. Such shifts may alter the nature and prices of products demanded by the end consumer, and, in turn, our customers and could adversely affect our operating performance.

In addition, we extend credit to numerous customers who are generally susceptible to the same economic business risks that we are. Unfavorable housing market conditions could result in financial failures of one or more of our significant customers. Furthermore, we may not necessarily be aware of any deterioration in our customers' financial position. If our larger customers' financial positions were to become impaired, our ability to fully collect receivables from such customers could be impaired and negatively affect our operating results, cash flow and liquidity.

We are subject to disintermediation risk.

As customers continue to consolidate or otherwise increase their purchasing power, they are better able, and may choose, to purchase products directly from the same suppliers that use us for distribution. In addition, our suppliers

may elect to distribute some or all of their products directly to end-customers in one or more markets. This process of disintermediation can put us at risk of losing business from a customer, or of losing entire product lines or categories, or distribution territories, from suppliers. Disintermediation also adversely impacts our ability to obtain favorable pricing from suppliers and optimize margins and revenue with respect to our customers. As a result, continued disintermediation could have a negative impact on our financial condition and operating results.

***Our industry is highly cyclical, and prolonged periods of weak demand or excess supply may reduce our net sales and/or margins, which may cause us to incur losses or reduce our net income*.**

The building products distribution industry is subject to cyclical market pressures. Prices of building products are determined by overall supply and demand in the market. Market prices of building products historically have been volatile and cyclical, and we have limited ability to control the timing and amount of pricing changes. Demand for building products is driven mainly by factors outside of our control, such as general economic and political conditions, interest rates, availability of mortgage financing, the construction, repair and remodeling markets, industrial markets, weather, and population growth. The supply of building products fluctuates based on available manufacturing capacity, and excess capacity in the industry can result in significant declines in market prices for those products. To the extent that prices and volumes experience a sustained or sharp decline, our net sales and margins likely would decline as well. Because we have substantial fixed costs, a decrease in sales and margin generally may have a significant adverse impact on our financial condition, operating results, and cash flows.

***We may be unable to effectively manage our inventory as our sales volume increases or the prices of the products we distribute fluctuate, which could affect our business, financial condition, and operating results*.**

We purchase many of our products directly from manufacturers, which are then sold and distributed to customers. We must maintain, and have adequate working capital to purchase, sufficient inventory to meet customer demand. Due to the lead times required by our suppliers, we order products in advance of expected sales. As a result, we are required to forecast our sales and purchase accordingly. In periods characterized by significant changes in the overall economy and activity in the residential and commercial building and home repair and remodel industries, it can be especially difficult to forecast our sales accurately. We must also manage our working capital to fund our inventory purchases. Such issues and risks can be magnified by the diversity of product mix our business units carry, with over 50,000 SKUs across multiple major product categories. Excessive increases in the market prices of certain building products can put negative pressure on our operating cash flows by requiring us to invest more in inventory. In the future, if we are unable to effectively manage our inventory as we attempt to expand our business, our cash flows may be negatively affected, which could have a material adverse effect on our business, financial condition, and operating results.

***Our industry is highly fragmented and competitive. If we are unable to compete effectively, our net sales and operating results may be reduced*.**

The building and industrial products distribution industry is highly fragmented and competitive, and the barriers to entry for local competitors are relatively low. Competitive factors in our industry include pricing, availability of product, service, delivery capabilities, customer relationships, geographic coverage, and breadth of product offerings. Also, financial stability is important to suppliers and customers in choosing distributors for their products, and affects the favorability of the terms on which we are able to obtain our products from our suppliers and sell our products to our customers.

Some of our competitors have less financial leverage or are part of larger companies, and therefore may have access to greater financial and other resources than those to which we have access. Finally, we may not be able to maintain our costs at a level sufficiently low for us to compete effectively. If we are unable to compete effectively, our net sales and net income may be reduced.

***Our competitors continue to consolidate, which could cause markets to become more competitive and could negatively impact our business*.**

Our competitors continue to consolidate. This consolidation is being driven by customer needs and supplier capabilities, which could cause markets to become more competitive as greater economies of scale are achieved by distributors. Customers are increasingly aware of the total costs of fulfillment and of the need to have consistent sources of supply at multiple locations. We believe these customer needs could result in fewer distributors as the remaining distributors become larger and capable of being consistent sources of supply. There can be no assurance that we will be able to take advantage effectively of this trend toward consolidation. The trend in our industry toward consolidation could make it more difficult for us to maintain operating margins.

***Product shortages, loss of key suppliers, our dependence on third-party suppliers and manufacturers, and new tariffs could affect our financial health*.**

Our ability to offer a wide variety of products to our customers is dependent upon our ability to obtain adequate product supply from domestic and international manufacturers and other suppliers. Generally, our products are obtainable from various sources and in sufficient quantities. However, the loss of, or a substantial decrease in the availability of, products from our suppliers or

the loss of key supplier arrangements could adversely impact our financial condition, operating results, and cash flows. In addition, many of our suppliers are located outside of the United States. Thus, trade restrictions, including new or increased tariffs, quotas, embargoes, sanctions, safeguards and customs restrictions, as well as foreign labor strikes, work stoppages or boycotts, could increase the cost or reduce the supply of the products available to us. Although in many instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. Failure by our suppliers to continue to supply us with products on commercially reasonable terms, or at all, could have a material adverse effect on our financial condition, operating results, and cash flows.

We may not be able to monetize real estate assets if we experience adverse market conditions.

We sold substantial amounts of our real estate assets during fiscal 2018, 2017, and 2016, and we have designated certain non-operating properties as held for sale, which we currently are actively marketing. We believe there will be future opportunities to monetize our real estate portfolio's equity value for debt reduction and investment purposes via sale leaseback and other strategic real estate transactions. However, real estate investments are relatively illiquid. We may not be able to sell the properties we have targeted for disposition or that we may decide to monetize in the future, due to adverse market conditions. In addition, the terms of our revolving credit facility and term loan facility contain various restrictions on our ability to sell our real estate assets, and to use the proceeds of those assets to prepay our debt. This may negatively affect, among other things, our ability to sell properties on favorable terms and execute our strategic initiatives.

We are subject to pricing pressures.

Large customers have historically been able to exert pressure on their outside suppliers and distributors to keep prices low in the highly fragmented building materials distribution industry. In addition, continued consolidation among our customers and their customers (i.e., homebuilders), and changes in their respective purchasing policies and payment practices, could result in even further pricing pressure. A decline in the prices of the products we distribute could adversely impact our operating results. When the prices of the products we distribute decline, customer demand for lower prices could result in lower sales prices and, to the extent that our inventory at the time was purchased at higher costs, lower margins. Alternatively, in a rising price environment, our suppliers may increase prices or reduce discounts on the products we distribute, and we may be unable to pass on any cost increase to our customers, thereby resulting in reduced margins and profits. Furthermore, continued consolidation among our suppliers makes it more difficult for us to negotiate favorable pricing, consignment arrangements, and discount programs with our suppliers, thereby resulting in reduced margins and profits. Overall, these pricing pressures may adversely affect our operating results and cash flows.

Customer consolidation could result in the loss of existing customers to our competitors. We typically do not enter into minimum purchase contracts with our customers. The loss of one or more of our significant customers, or their decision to purchase our products in significantly lower quantities than they have in the past could significantly affect our financial condition, operating results and cash flows.

Our operating results depend on the successful implementation of our strategy. We may not be able to implement our strategic initiatives successfully, on a timely basis, or at all.

We regularly evaluate the performance of our business and, as a result of such evaluations, we have in the past undertaken and may in the future undertake strategic initiatives within our businesses. Strategic initiatives that we may implement now or in the future may not result in improvements in future financial performance and could result in additional unanticipated costs. If we are unable to realize the benefits of our strategic initiatives, our business, financial condition, cash flows, or results of operations could be adversely affected.

Our future operating results may fluctuate significantly, and our current operating results may not be a good indication of our future performance. Fluctuations in our quarterly financial results could affect our stock price in the future.

Our revenues and operating results have historically varied from period-to-period and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control. If our quarterly financial results or our predictions of future financial results fail to meet the expectations of securities analysts and investors, our stock price could be negatively affected. Any volatility in our quarterly financial results may make it more

difficult for us to raise capital in the future or pursue acquisitions that involve issuances of our stock. In addition, because of this variability, our operating results for prior periods may not be effective predictors of future performance.

Factors associated with our industry, the operation of our business and the markets for our products may cause our quarterly financial results to fluctuate, including:

- the commodity nature of many of our products and their price movements, which are driven largely by capacity utilization rates and industry cycles that affect supply and demand;
- general economic conditions, including but not limited to housing starts, construction labor shortages, repair and remodel activity and commercial construction, foreclosure rates, interest rates, unemployment rates, and mortgage availability and pricing, as well as other consumer financing mechanisms, that ultimately affect demand for our products;
- supply chain disruptions;
- the highly competitive nature of our industry;
- disintermediation;
- the impact of actuarial assumptions and regulatory activity on pension costs and pension funding requirements;
- the financial condition and creditworthiness of our customers;
- our substantial indebtedness, including the possibility that we may not generate sufficient cash flows from operations or that future borrowings may not be available in amounts sufficient to fulfill our debt obligations and fund other liquidity needs;
- cost of compliance with government regulations;
- adverse customs and tariff rulings;
- protectionist trade policies and import tariffs;
- labor disruptions, shortages of skilled and technical labor, or increased labor costs;
- increased healthcare costs;
- the need to successfully implement succession plans for our senior managers and other associates;
- our ability to successfully complete potential acquisitions, achieve expected synergies from acquisitions or integrate efficiently acquired operations;
- disruption in our information technology systems;
- significant maintenance issues or failures with respect to our tractors, trailers, forklifts, and other major equipment;
- severe weather phenomena such as drought, hurricanes, tornadoes, and fire;
- condemnations of all or part of our real property; and
- fluctuations in the market for our equity.

Any one of the factors above or the cumulative effect of some of the factors referred to above may result in significant fluctuations in our quarterly financial and other operating results, including fluctuations in our key metrics. The variability and unpredictability could result in our failing to meet our internal operating plan or the expectations of securities analysts or investors for any period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our shares could fall substantially and we could face costly lawsuits, including securities class action suits.

We have sold and leased back certain of our distribution centers under long-term non-cancelable leases, and may enter into similar transactions in the future. Many of these leases are (or will be) capital leases, and our debt and interest expense may increase as a result.

As a result of sale lease-back transactions involving our real estate assets, certain of our distribution centers are leased under non-cancelable leases. These leases typically have initial expiration terms ranging from ten to fifteen years, and most provide options to renew for specified periods of time. We may enter into additional sale and lease-back transactions in the future. The leases resulting from these transactions are generally recognized and accounted for as capital leases, which may be counted as indebtedness, including for purposes of financial covenants in the agreements governing our debt, and may significantly increase the stated interest expense that is recognized in our income statements.

Many of our distribution centers are leased, and if we close a leased distribution center, we will still be obligated under the applicable lease. In addition, we may be unable to renew the leases at the end of their terms.

If we close a distribution center that is subject to a non-cancelable lease, we would remain committed to perform our obligations under the applicable lease, which would include, among other things, payment of the base rent, insurance,

taxes, and other expenses on the leased property for the balance of the lease term. Management may explore offsets to remaining obligations, such as subleasing opportunities or negotiated lease terminations, but there can be no assurance that we can offset remaining obligations on commercially reasonable terms or at all. Our obligation to continue making rental payments with respect to leases for closed distribution centers could have a material adverse effect on our business and results of operations.

In addition, at the end of a lease term and any renewal period for a leased distribution center, or for those locations where we have no renewal options remaining, we may be unable to renew the lease without additional cost, if at all. If we are unable to renew our distribution center leases, we may close or, if possible, relocate the distribution center, which could subject us to additional costs and risks which could have a material adverse effect on our business. Additionally, the revenue and profit generated at a relocated distribution center may not equal the revenue and profit generated at the previous location.

***We are exposed to product liability and other claims and legal proceedings related to our business and the products we distribute, which may exceed the coverage of our insurance*.**

The building products industry has been subject to personal injury and property damage claims arising from alleged exposure to raw materials contained in building products as well as claims for incidents of catastrophic loss, such as building fires. As a distributor of building materials, we face an inherent risk of exposure to product liability claims in the event that the use of the products we have distributed in the past or may in the future distribute is alleged to have resulted in economic loss, personal injury or property damage, or violated environmental, health or safety, or other laws. Such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability, or a breach of warranties. We are also from time to time subject to casualty, contract, tort, and other claims relating to our business, the products we have distributed in the past or may in the future distribute and the services we have provided in the past or may in the future provide, either directly or through third parties. We rely on manufacturers and other suppliers, including manufacturers and suppliers located outside of the United States, to provide us with the products we sell or distribute. Since we do not have direct control over the quality of products that are manufactured or supplied to us by third parties, we are particularly vulnerable to risks relating to the quality of such products. In addition, operating hazards, such as unloading heavy products, operating large machinery and driving hazards, which are inherent in our business and some of which may be outside of our control, can cause personal injury and loss of life, damage to our destruction of property, plant and equipment and environmental damage.

We cannot predict or, in some cases, control the costs to defend or resolve such claims. We cannot assure you that we will be able to maintain suitable and adequate insurance on acceptable terms or that such insurance will provide adequate protection against potential liabilities, and the cost of any product liability or other proceeding, even if resolved in our favor, could be substantial. Additionally, we do not carry insurance for all categories of risk that our business may encounter. Any significant uninsured liability may require us to pay substantial amounts. There can be no assurance that any current or future claims will not adversely affect our financial position, cash flows, or results of operations.

***A change in our product mix could adversely affect our results of operations*.**

Our results may be affected by a change in our product mix. Our outlook, budgeting, and strategic planning assume a certain mix of product sales. If actual results vary from this projected mix of product sales, our financial results could be negatively impacted. Additionally, gross margins vary across our product lines. If the mix of products shifts from higher margin product categories to lower margin product categories, our overall gross margins and profitability may be adversely affected. Consequently, changes in our product mix could have a material adverse impact on our financial condition and operating results.

Relatedly, our product sales to a customer may be dependent on the supplier and the brands we distribute. If we are unable to supply certain brands to our customers, then our ability to sell to existing customers and acquire new customers will be difficult to accomplish. As a result, our revenue, operating performance, cash flows, and net income may be adversely affected.

***If petroleum prices increase, our results of operations could be adversely affected*.**

Petroleum prices have fluctuated significantly in recent years, and the prices and availability of petroleum products are subject to political, economic, and market factors that are outside our control. Political events in petroleum-producing regions as well as hurricanes and other weather-related events may cause the price of fuel to increase. Within our business units, we deliver products to our customers primarily via our fleet of trucks. Our operating profit may be adversely affected if we are unable to obtain the fuel we require or to fully offset the anticipated impact of higher fuel prices through increased prices or fuel surcharges to our customers. Besides passing fuel costs on to customers, we

have at times entered into forward purchase contracts that protect against fuel price increases. If shortages occur in the supply of necessary petroleum products and we are not able to pass along the full impact of increased petroleum prices to our customers or otherwise protect ourselves by entering into forward purchase contracts, then our results of operations would be adversely affected.

***We are subject to information technology security risks and business interruption risks, and may incur increasing costs in an effort to minimize those risks*.**

Our business employs information technology systems to secure confidential information, such as employee data, including social security numbers and personal health data. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Any compromise of our security could result in a loss or misuse of our confidential information, violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, interruption of our business operations, and a loss of confidence in our security measures; any of which could harm our business. We may also be subject to phishing attacks, wherein individuals may fraudulently purport to be an agent of a reputable company in order to induce our employees to reveal information or obtain resources. We are also susceptible to malware, ransomware, denial of service, and other attacks that could adversely affect our information technology systems. Although we utilize various procedures and controls to monitor and mitigate these threats, there can be no assurance that these procedures and controls will be sufficient to prevent security threats from materializing. As cyber-attacks become more sophisticated generally, we may incur significant costs to strengthen our systems from outside intrusions, and/or obtain insurance coverage related to the threat of such attacks.

Additionally, our business is reliant upon information technology systems to, among other things, manage and route our sales calls, manage inventories and accounts receivable, make purchasing decisions, monitor our results of operations, and place orders with our vendors and process orders from our customers. These systems may be vulnerable to natural disasters, telecommunications failures and similar events, employee errors or to intentional acts of misconduct, such as security breaches or attacks. The occurrence of any of these events or acts, or any other unanticipated problems, could result in damage to or the unavailability of these systems. Such damage or unavailability could, despite any existing disaster recovery and business continuity arrangements, interrupt the availability of one or more of our information technology systems. We have from time to time experienced such disruptions and they may occur in the future. Disruptions in these systems could materially impact our ability to buy and sell our products, as well as generally operate our business, which could reduce our revenue.

We establish insurance-related deductible/retention reserves based on historical loss development factors, which could lead to adjustments in the future based on actual development experience.

We retain a significant portion of the accident risk under our vehicle liability and workers' compensation insurance programs; and, beginning in fiscal 2018, we are self-insured for health insurance, which is limited by stop-loss coverage. Our self-insurance accruals are based on actuarially estimated, undiscounted cost of claims, which includes claims incurred but not reported. While we believe our estimation processes are well designed, every estimation process is inherently subject to limitations. Fluctuations in the frequency or amount of claims make it difficult to precisely predict the ultimate cost of claims. The actual cost of claims can be different than the historical selected loss development factors because of safety performance, payment patterns, and settlement patterns.

***Our business operations could suffer significant losses from natural disasters, catastrophes, fire, or other unexpected events*.**

While we operate our business out of 62 warehouse facilities and maintain insurance covering our facilities, including business interruption insurance, our warehouse facilities could be materially damaged by natural disasters, such as floods, tornadoes, hurricanes, and earthquakes, or by fire, adverse weather conditions, civil unrest, condemnation, or other unexpected events or disruptions to our facilities. We could incur uninsured losses and liabilities arising from such events, including damage to our reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on our business, financial condition, and results of operations. In addition, war, terrorism, geopolitical uncertainties and public health issues could cause damage or disruption to the global economy, and thus could have a material adverse effect on us, our suppliers and out customers.

***The activities of activist stockholders could have a negative impact on our business and results of operations*.**

While we seek to actively engage with stockholders and consider their views on business and strategy, we could be subject to actions or proposals from stockholders or others that do not align with our business strategies or the interests of our other stockholders. Responding to these stockholders could be costly and time-consuming, disrupt our business and operations, and divert the attention of our Board of Directors and senior management. Uncertainties

associated with such activities could interfere with our ability to effectively execute our strategic plan, impact long-term growth, and limit our ability to hire and retain personnel. In addition, actions of these stockholders may cause periods of fluctuation in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

A significant percentage of our employees are unionized. Wage increases or work stoppages by our unionized employees may reduce our results of operations.

As of December 29, 2018, we employed approximately 2,400 persons. Approximately 20% of our employees were covered by collective bargaining agreements ("CBAs") negotiated between the company and various local unions. Seven of those CBAs covering approximately 130 employees are up for renewal in fiscal 2019, or are currently expired and under negotiations.

Although we have generally had good relations with our unionized employees, and expect to renew collective bargaining agreements as they expire, no assurances can be provided that we will be able to reach a timely agreement as to the renewal of the agreements, and their expiration or continued work under an expired agreement, as applicable, could result in a work stoppage. In addition, we may become subject to material cost increases, or additional work rules imposed by agreements with labor unions. The foregoing could increase our selling, general, and administrative expenses in absolute terms and/or as a percentage of net sales. In addition, work stoppages or other labor disturbances may occur in the future, which could adversely impact our net sales and/or selling, general, and administrative expenses. All of these factors could negatively impact our operating results and cash flows.

Our ability to utilize our net operating loss carryovers may be limited.

At December 29, 2018, we had net operating loss ("NOL") carryforwards of approximately $90.9 million. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. In general, an "ownership change" will be deemed to have occurred if there is a cumulative change in our ownership by "5-percent stockholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws.

Sales in the underwritten public offering of 4,443,428 shares of our common stock by our former majority shareholder, an affiliate of Cerberus Capital Management, L.P. ("Cerberus"), that closed on October 23, 2017 (the "Resale Offering") caused an ownership change limitation under Section 382 to be triggered. That limitation could restrict our ability to use our NOL carryforwards.

In general, the annual use limitation under Section 382 is determined by multiplying the aggregate value of our stock at the time of the ownership change by a specified tax-exempt interest rate. However, we determined that at the date of the 2017 deemed ownership change, we had a net unrealized built-in gain ("NUBIG") based primarily on the built-in gains in our owned real estate. The NUBIG was determined based on the difference between the fair market value of our assets and their tax basis as of the ownership change date. Under Section 382(h), the Section 382 limitation will be increased if and to the extent that the NUBIG that existed at the time of the ownership change is recognized for tax purposes after the ownership change during the recognition period ending on October 23, 2022. Limitations on our ability to use NOL carryforwards to offset future taxable income, including gains on sales of real estate, could require us to pay U.S. federal income taxes earlier than would be required if such limitations were not in effect. Similar rules and limitations may apply for state income tax purposes.

Changes in actuarial assumptions for our pension plan could impact our financial results, and funding requirements are mandated by the Federal government.

We sponsor a defined benefit pension plan. Most of the participants in our pension plan are inactive, with the majority of the remaining active participants no longer accruing benefits; and the pension plan is closed to new entrants. However, unfavorable changes in various assumptions underlying the pension benefit obligation could adversely impact our financial results. Significant assumptions include, but are not limited to, the discount rate, projected return on plan assets, and mortality rates. In addition, the amount and timing of our pension funding obligations are influenced by funding requirements that are established by the Employee Retirement Income and Security Act of 1974, the Pension Protection Act, Congressional Acts, or other governing bodies.

Costs and liabilities related to our participation in multi-employer pension plans could increase.

We participate in various multi-employer pension plans in the U.S. based on obligations arising under collective bargaining agreements. Some of these plans are significantly underfunded and may require increased contributions in the future. The amount of any increase or decrease in our required contributions to these multi-employer pension plans will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plan, governmental

regulations, the actual return on assets held in the plan, the continued viability and contributions of other employers which contribute to the plan, and the potential payment of a withdrawal liability, among other factors.

Under current law, an employer that withdraws or partially withdraws from a multi-employer pension plan may incur a withdrawal liability to the plan, which represents the portion of the plan's underfunding that is allocable to the withdrawing employer under very complex actuarial and allocation rules. We have withdrawn from certain multi-employer plans in the past, including, most recently, in connection with a new collective bargaining agreement that we entered into with the Lumber Employees Local 786 union at our Chicago facility in the first quarter of 2017 (in which case we recorded a total estimated withdrawal liability of $5.0 million during fiscal 2017). We may withdraw from other multi-employer plans in the future. If, in the future, we do choose to withdraw from any additional multi-employer plans or trigger a partial withdrawal, we likely would need to record a withdrawal liability, which may be material to our financial results. Additionally, a mass withdrawal would require us to record a withdrawal liability, which may be material to our financial results, and would generally obligate us to make payments in perpetuity to the particular plan.

One of the plans to which we are obligated to contribute is the Central States, Southeast and Southwest Areas Pension Fund (the "Central States Plan"). As of January 1, 2017, the plan's actuary certified that the plan was in critical and declining status, which, among other things, means the funded percentage of the plan was less than 65%. Furthermore, the plan is projected to become insolvent in 2025. It is unclear what will happen to this plan in the future. Our required contributions to the plan may increase, due to potential rehabilitation increases. In addition, if we experience a withdrawal from this plan, we may need to record a significant withdrawal liability. Our estimated withdrawal liability is $52.5 million if we experience a complete withdrawal from the plan during fiscal 2019. This number will likely increase if a complete withdrawal occurs in fiscal 2020 or later, and could be significantly higher if a mass withdrawal were to occur in the future.

In the case of both a complete withdrawal and a mass withdrawal, our payments to the Central States Plan would generally continue at approximately the current rate; which, even with potential rehabilitation increases, is less than $1.0 million per year. In a complete withdrawal, the payments would not amortize the liability fully; however, payments for a complete withdrawal are limited to a 20-year period. In the case of a mass withdrawal, the liability would never amortize, and payments would continue indefinitely.

Failure to maintain effective internal controls, accounting policies, practices, and information systems necessary to ensure reliable reporting of our results, could negatively affect our ability to comply with our legal obligations.

We believe that our internal controls, accounting policies and practices, and information systems are adequate to enable us to capture and process transactions in a timely and accurate manner in compliance with applicable laws, regulations and standards. However, in connection with our acquisition of Cedar Creek, we are currently in the process of integrating policies, processes, information technology systems and other components of internal controls over financial reporting of the combined business. It is also possible that we could experience temporary lapses in internal controls, data integrity issues or unanticipated and unauthorized actions of employees or contractors that could lead to improprieties and undetected errors. If we do not successfully integrate the internal controls over financial reporting of the combined business, or if we experience any of these lapses, issues or actions, our financial condition, results of operations, or compliance with legal obligations could be negatively impacted. In addition, while management has concluded that the Company's internal control over financial reporting was effective as of December 29, 2018, such controls are subject to inherent limitations, such as circumvention of controls or human error. Due to these inherent limitations, such controls may not prevent or detect misstatements in our financial statements. Our internal controls over financial reporting are also subject to the risk that controls may become inadequate because of a failure to remediate control deficiencies, changes in conditions or a deterioration of the degree of compliance with established policies and procedures.

Our success depends on our ability to attract, train, and retain highly qualified associates and other key personnel while controlling related labor costs.

To be successful, we must attract, train, and retain a large number of highly qualified associates while controlling related labor costs. In many of our markets, highly qualified associates are in high demand and we compete with other businesses for these associates and invest significant resources in training and incentivizing them. There can be no assurance that we will be able to attract or retain highly qualified associates in the future, including, in particular, those employed by companies we may acquire. Our ability to control labor costs is subject to numerous external

factors, including prevailing wage rates and health and other insurance costs.

In addition, there is significant competition for qualified drivers in the transportation industry. Additionally, interventions and enforcement under the FMCSA Compliance, Safety, and Accountability program may shrink the industry's pool of drivers as those drivers with unfavorable scores may no longer be eligible to drive for us. As a result of driver shortages, we could be required to increase driver compensation, let trucks sit idle, utilize less experienced drivers, or face difficulty meeting customer demands, all of which could adversely affect our growth and profitability.

Furthermore, our success is highly dependent on the continued services of our management team. The loss of services of one or more key members of our senior management team could have a material adverse effect on us.

***Federal, state, local, and other regulations could impose substantial costs and restrictions on our operations that would reduce our net income*.**

We are subject to various federal, state, local, and other laws and regulations, including, among other things, transportation regulations promulgated by the U.S. Department of Transportation (the "DOT"), work safety regulations promulgated by the Occupational Safety and Health Administration, employment regulations promulgated by the U.S. Equal Employment Opportunity Commission, regulations of the U.S. Department of Labor, accounting standards issued by the Financial Accounting Standards Board (the "FASB") or similar entities, and state and local zoning restrictions, building codes and contractors' licensing regulations. More burdensome regulatory requirements in these or other areas may increase our general and administrative costs and adversely affect our financial condition, operating results and cash flows. Moreover, failure to comply with the regulatory requirements applicable to our business could expose us to litigation and substantial fines and penalties that could adversely affect our financial condition, operating results, and cash flows.

Our transportation operations, upon which we depend to distribute products from our distribution centers, are subject to the regulatory jurisdiction of the DOT and the FMCSA, which have broad administrative powers with respect to our transportation operations. Vehicle dimensions and driver hours of service also are subject to both federal and state regulation. More restrictive limitations on vehicle weight and size, trailer length and configuration, or driver hours of service would increase our costs, which, if we are unable to pass these cost increases on to our customers, may increase our selling, general and administrative expenses and adversely affect our financial condition, operating results and cash flows. If we fail to comply adequately with the DOT and FMCSA regulations or such regulations become more stringent, we could experience increased inspections, regulatory authorities could take remedial action, including imposing fines or shutting down our operations, or we could be subject to increased audit and compliance costs. If any of these events were to occur, our financial condition, operating results, and cash flows could be adversely affected.

In addition, the residential and commercial construction industries are subject to various local, state and federal statutes, ordinances, codes, rules and regulations concerning zoning, building design and safety, construction, contractor licensing, energy conservation and similar matters, including regulations that impose restrictive zoning and density requirements on the residential new construction industry or that limit the number of homes or other buildings that can be built within the boundaries of a particular area. Regulatory restrictions may increase our operating expenses and limit the availability of suitable building lots for our customers, any of which could negatively affect our business, financial condition and results of operations.

***We could be the subject of securities class action litigation due to future stock price volatility, which could divert management's attention and adversely affect our results of operations*.**

The stock market in general, and market prices for the securities of companies like ours in particular, have from time to time experienced volatility that often has been unrelated to the operating performance of the underlying companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance. In certain situations in which the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a similar lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and harm our operating results.

***We are subject to federal, state, and local environmental protection laws and may have to incur significant costs to comply with these laws and regulations in the future*.**

Environmental liabilities could arise on the land that we have owned, own or lease, including as a result of the use of underground fuel storage tanks, and these liabilities could have a material adverse effect on our financial condition and performance. Federal, state, and local laws and regulations relating to the protection of the environment, including those regulating the use and maintenance of underground storage tanks, may require a current or previous owner or operator of real estate to investigate and remediate hazardous materials, substances and waste releases at or from the property. They may also impose liability for property damage and personal injury stemming from the presence of, or exposure to, hazardous substances. In addition, we could incur costs to comply with such environmental laws and

regulations, the violation of which could lead to substantial fines and penalties.

***We do not expect to pay dividends on our common stock, and the terms of our loan agreements place restrictions on our ability to pay dividends on our common stock, so any returns to stockholders will be limited to the value of their stock*.**

We have not declared or paid any cash dividends on our common stock since 2007, and we are restricted from doing so under the terms of our revolving credit facility and term loan facility. In addition, our term loan facility requires us to make certain future payments from our available cash flow. Regardless of the restrictions in and requirements under our loan agreements, or the terms of any potential future indebtedness, for the foreseeable future we anticipate that we will retain all available funds and earnings to support our operations and finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future, so any return to stockholders will be limited to the appreciation of their stock.

***Changes in, or interpretation of, accounting principles could result in unfavorable accounting changes*.**

Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles and accompanying accounting pronouncements, implementation guidelines, and interpretations. These rules are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. Changes in these rules or their interpretation, such as recent changes regarding revenue recognition and lease accounting standards, could significantly change our reported results and may even retroactively affect previously reported transactions. Changes resulting from the adoption of new or revised accounting principles may result in materially different financial results and may require that we make changes to our systems, processes, and controls.

***Transfers of our common stock may constitute a change of control under the instruments governing our indebtedness, which may trigger an event of default*.**

The agreements governing our debt provide that if at any time any person or group of persons acquires 35% or more of our common stock, whether inadvertently or not, then a change of control would be triggered that would result in an event of default under the facilities. In the event of an event of default as a result of such transfers, we may be required to repay any outstanding amounts earlier than anticipated, and the lenders may foreclose on their security interests in our assets or otherwise exercise their remedies with respect to such interests.

***Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us*.**

Our second amended and restated certificate of incorporation, as amended, provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our second amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees. If a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business and financial condition.

***Any issuance of preferred stock could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could adversely affect the price of our common stock*.**

Our board of directors has the authority to issue preferred stock and to determine the preferences, limitations, and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend, and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium over the market price, and adversely affect the market price and the voting and other rights of the holders of our common stock.

19

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

ITEM 2. ***PROPERTIES***

We operate our business out of 64 office and warehouse facilities, 39 of which are leased, and 25 of which are owned. The total square footage of our owned real property is approximately 5.4 million square feet, and the total square footage of our leased real property is approximately 9.1 million square feet. Owned land in Connecticut is held for sale, as are warehouse facilities located in Birmingham, Alabama; Des Moines, Iowa; Grand Rapids, Michigan; Maple Grove, Minnesota; New Orleans, Louisiana; Springfield, Missouri; and Tulsa, Oklahoma.

Certain of our owned warehouse facilities secured our term loan facility at December 29, 2018. Additionally, we lease two warehouse facilities owned by our pension plan. The following table summarizes our real estate facilities as of March 1, 2019, including their inside square footage, where applicable:

Property Type	Number	Owned Facilities (sq. ft.)	Leased Facilities (sq. ft.)
Office Space [(1)]	2	15,423	68,023
Warehouses and other real property [(2)]	69	5,362,813	9,015,465
TOTAL	**71**	**5,378,236**	**9,083,488**

(1) Consists of our corporate headquarters in Marietta, Georgia and a sales center in Denver, Colorado.

(2) Includes properties held for sale.

We also store materials in secured outdoor areas at many of our warehouse locations, which increases warehouse distribution and storage capacity. We believe that the majority of our facilities have sufficient capacity to meet current and projected distribution needs.

ITEM 3. ***LEGAL PROCEEDINGS***

We are, and from time to time may be, a party to routine legal proceedings incidental to the operation of our business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on our financial condition, operating results, or cash flows, based on our current understanding of the relevant facts. Legal expenses incurred related to these contingencies generally are expensed as incurred. We establish reserves for pending or threatened proceedings when the costs associated with such proceedings become probable and reasonably can be estimated.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

PART II

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

Our equity securities consist of one class of common stock, which is traded on the New York Stock Exchange under the symbol "BXC".

As of December 29, 2018, there were 11 shareowner accounts of record, and, as of that date, we estimate there were approximately 3,300 beneficial owners holding our common stock in nominee or "street" name.

We do not pay dividends on our common stock. Any future dividend payments would be subject to contractual restrictions under our revolving credit facility and our term loan facility.

We did not repurchase any of our equity securities during the period covered by this report pursuant to any publicly announced plan or program, and no such plan or program is presently in effect. From time to time, we withhold shares upon the vesting of employee equity awards to satisfy certain tax obligations due in connection therewith, and the withholding of shares may be deemed to be repurchases of our equity securities. No such withholding occurred during the fourth quarter of 2018.

ITEM 6. ***SELECTED FINANCIAL DATA***

As a smaller reporting company, we are not required to provide this information.

ITEM 7. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION ANDRESULTS OF OPERATIONS***

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Form 10-K. In addition to historical information, the following discussion and other parts of this Form 10-K contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by this forward-looking information due to the factors discussed under "Risk Factors," "Cautionary Statement Concerning Forward-Looking Statements," and elsewhere in this Form 10-K.

Executive Level Overview

Company Background

BlueLinx is a leading distributor of building and industrial products in the U.S. With a combination of market position and geographic coverage, the buying power of certain centralized procurement, and the strength of a locally-focused sales force, BlueLinx is able to provide a wide range of value-added services and solutions to our customers and suppliers.

We are headquartered in Georgia, with executive offices located at 1950 Spectrum Circle, Suite 300, Marietta, Georgia, and we operate our distribution business through a broad network of distribution centers. We serve many major metropolitan areas in the U.S. and deliver building and industrial products to a variety of wholesale and retail customers.

We distribute products in two principal categories: structural products and specialty products. Structural products include plywood, oriented strand board, rebar and remesh, lumber, spruce and other wood products primarily used for structural support, walls, and flooring in construction projects. Structural products represented approximately 45% of our fiscal 2018 net sales. Specialty products include engineered wood products, moulding, siding (including vinyl products), cedar, metal products (excluding rebar and remesh) and insulation. Specialty products accounted for approximately 55% of our fiscal 2018 net sales.

Recent Developments

Acquisition of Cedar Creek

On April 13, 2018, we completed our previously announced acquisition of Cedar Creek for a preliminary aggregate purchase price of approximately $361.8 million. As a result of the acquisition, we increased the number of our distribution facilities to over 70 facilities, and increased the number of our full-time employees to over 2,600.

The assets acquired and liabilities assumed and the results of operations of the acquired business are included in our consolidated results since April 13, 2018.

Revolving Credit Facility

On April 13, 2018, in connection with the acquisition of Cedar Creek, we amended and restated our Revolving Credit Facility to increase the aggregate commitments to $600.0 million (an increase of $265.0 million). The amended Revolving Credit Facility also provides for an uncommitted accordion feature that permits us to increase the facility by an aggregate additional principal amount of up to $150.0 million, subject to certain conditions, including lender consent. A portion of the proceeds from the Revolving Credit Facility were used to fund the purchase price for Cedar Creek, transaction costs in connection with the amendment and restatement of the Revolving Credit Facility, and transaction costs in connection with the acquisition of Cedar Creek.

Term Loan Facility

On April 13, 2018, in connection with the acquisition of Cedar Creek, we entered into a Credit and Guaranty Agreement with HPS Investment Partners, LLC, and other financial institutions as party thereto, that provides for a $180.0 million Term Loan Facility secured substantially by all our assets. The proceeds from the Term Loan Facility were used to fund a portion of the purchase price for Cedar Creek, and to fund transaction costs of the Term Loan and transaction costs in connection with the acquisition of Cedar Creek.

Sale-leaseback Transactions

On January 10, 2018, we completed sale-leaseback transactions on four distribution centers. We sold these properties for gross proceeds of $110.0 million. As a result of these sale-leaseback transactions, we recognized capital lease assets and obligations totaling $95.1 million on these properties, and a total deferred gain of $83.9 million, which will be amortized over the lives of the applicable leases, in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The net proceeds received from the sale-leaseback transactions were used to pay the remaining balance of our 2006 CMBS mortgage in its entirety in the first quarter of 2018. For tax purposes, the gain on the sale-leaseback transactions is fully recognized in the year of sale. Our NOLs were sufficient to offset the taxable gain on the sale of these properties.

Industry Conditions

Many of the factors that cause our operations to fluctuate are seasonal or cyclical in nature. Our operating results have historically been correlated with the level of single-family residential housing starts in the U.S. At any time, the demand for new homes is dependent on a variety of factors, including job growth, changes in population and demographics, the availability and cost of mortgage financing, the supply of new and existing homes, and consumer confidence. Since 2011, the U.S. housing market has generally shown improvement. Recent data on single-family residential housing starts and permits continue to suggest potential near-term challenges, but we continue to believe the housing market improvement trend will continue in the long term, and that we are well-positioned to support our customers.

Our operating results are also affected by commodity pricing, and during the third and fourth quarters of 2018, the industry experienced a rapid and continued decline in commodity prices,which included panels and framing lumber. The decline negatively impacted our financial results, particularly our margins. We continue to closely monitor these pricing trends, and work to manage our business, inventory levels, and costs, accordingly.

Factors That Affect Our Operating Results

Our results of operations and financial performance are influenced by a variety of factors, including the following:

- the integration of the Cedar Creek business with ours;
- changes in the prices, supply and/or demand for products which we distribute;
- inventory management and commodities pricing;
- new housing starts;
- general economic and business conditions in the U.S.;
- disintermediation by our customers and suppliers;
- acceptance by our customers of our branded and privately branded products;
- financial condition and credit worthiness of our customers;
- supply from key vendors;
- reliability of the technologies we utilize;
- activities of competitors;
- changes in significant operating expenses;
- fuel costs;
- risk of losses associated with accidents;
- exposure to product liability claims and other legal proceedings;
- changes in the availability of capital and interest rates;
- adverse weather patterns or conditions;
- acts of cyber intrusion or other disruptions to our information technology systems;
- variations in the performance of the financial markets, including the credit markets; and
- the risk factors discussed under Item 1A Risk Factors and elsewhere in this Annual Report on Form 10-K.

Key Business Metrics

Net Sales

Net sales result primarily from the distribution of products to dealers, industrial manufacturers, manufactured housing producers, and home improvement retailers. All revenues recognized are net of trade allowances, cash discounts, and

sales returns. In addition, we provide inventory to certain customers through pre-arranged agreements on a consignment basis. When the consigned inventory is sold by the customer, we recognize revenue on a gross basis. Net sales may not be comparable year-over-year due to acquisitions, closed facilities, and market-driven fluctuations in the prices of the inventories we sell.

Gross Profit
Gross profit primarily represents revenues less the product cost from our suppliers (net of earned rebates and discounts), including the cost of inbound freight. The costs of outbound freight, purchasing, receiving, and warehousing are included in selling, general, and administrative expenses within operating expenses. Our gross profit may not be comparable to that of other companies, as other companies may include all or some of the costs related to their distribution network in cost of sales. Market price fluctuations, particularly on structural products vulnerable to commodity price variability, may impact our gross profit.

Results of Operations

Fiscal 2018 Compared to Fiscal 2017

The following table sets forth our results of operations for fiscal 2018 and fiscal 2017, which both comprised 52 weeks.

	Fiscal 2018	% of Net Sales	Fiscal 2017	% of Net Sales
	(Dollars in thousands)			
Net sales	$2,862,850	100.0%	$1,815,535	100.0%
Gross profit	331,854	11.6%	231,029	12.7%
Selling, general, and administrative	319,314	11.2%	198,709	10.9%
Gains from sales of property	—	—%	(6,700)	(0.4)%
Depreciation and amortization	25,826	0.9%	9,032	0.5%
Operating (loss) income	(13,286)	(0.5)%	29,988	1.7%
Interest expense, net	47,301	1.7%	21,225	1.2%
Other income, net	(380)	—%	(822)	—%
(Loss) income before benefit from income taxes	(60,207)	(2.1)%	9,585	0.5%
Benefit from income taxes	(12,154)	(0.4)%	(53,409)	(2.9)%
Net (loss) income	$(48,053)	(1.7)%	$62,994	3.5%

The following table sets forth changes in net sales by product category. Certain prior year amounts have been reclassified to conform to the current year product mix of structural and specialty products.

	Fiscal 2018	Fiscal 2017
	(In thousands)	
Sales by category		
Structural products	$1,286,119	$841,862
Specialty products	1,593,969	988,824
Other [(1)]	(17,238)	(15,151)
Total sales	$2,862,850	$1,815,535

(1)“Other” includes service revenue, unallocated allowances, and/or discounts.

The following table sets forth gross margin dollars and percentages by product category versus comparable prior periods. Certain prior year amounts have been reclassified to conform to the current year product mix of structural and specialty products.

	Fiscal 2018	Fiscal 2017
	(Dollars in thousands)	
Gross Profit $ by category		
Structural products	$95,867	$77,431
Specialty products	247,134	151,428
Other [(1)]	(11,147)	2,170
Total gross profit	$331,854	$231,029
Gross margin % by category		
Structural products	7.5 %	9.2 %
Specialty products	15.5 %	15.3 %
Total gross margin %	11.6 %	12.7 %

(1)"Other" includes service revenue, unallocated allowances, and discounts.

Discussion of Results of Operations:

Net sales. Net sales of $2.9 billion in fiscal 2018 increased by 57.7%, or $1.0 billion, from fiscal 2017. Sales growth was driven by the acquisition of Cedar Creek and the inclusion of Cedar Creek's sales revenue from April 13, 2018, to December 29, 2018, versus the exclusion of such sales results during the comparable period of the prior year.

Gross profit. Total gross profit for fiscal 2018 was $331.9 million, compared to $231.0 million in fiscal 2017. Gross margin decreased to 11.6% in fiscal 2018, compared to 12.7% in fiscal 2017. Gross margin was negatively impacted by the acquisition related inventory step-up charge of $11.8 million, and declines in commodity pricing during the third and fourth quarter of fiscal 2018.

Selling, general, and administrative. Selling, general, and administrative expenses ("SG&A") for fiscal 2018 were $319.3 million, compared to $198.7 million, during fiscal 2017; which, on a percentage of sales basis, increased to 11.2% of net sales from 10.9% for fiscal 2017. The increase was primarily due to: (i) the acquisition of Cedar Creek and the inclusion of expenses from the acquired business from April 13, 2018, to December 29, 2018, versus the comparable period of the prior year; (ii) $25.4 million in charges for legal, professional and other integration costs related to the Cedar Creek acquisition; and (iii) $15.3 million in expenses related to cash-settled stock appreciation rights and other share based compensation in fiscal 2018.

Gains from sales of property. Gains from sales and leaseback of property in fiscal 2018 were deferred, due to the accounting rules for sale and leaseback transactions, and are amortized as a credit to SG&A expenses in the amount of approximately $1.3 million per fiscal quarter. The accounting treatment of gains from sale and leaseback transactions differs from that of outright sale transactions, as sales of property without leaseback are allowed immediate and full gain recognition in the period of the sale. Outright sales of property in fiscal 2017 resulted in gains recognized of $6.7 million.

Depreciation and amortization expense. For fiscal 2018, depreciation and amortization expense increased by $16.8 million to $25.8 million primarily due to the acquisition of Cedar Creek, which resulted in a higher depreciable asset base and the addition of depreciable intangible assets. During fiscal 2018, Cedar Creek added $15.4 million to our depreciation and amortization expense.

Interest expense, net. Interest expense for fiscal 2018 was $47.3 million, compared to $21.2 million for fiscal 2017. The increase of $26.1 million was largely attributable to a higher average debt balance over the period due to the acquisition of Cedar Creek, coupled with a higher average interest rate on outstanding debt. We also incurred transaction costs associated with the increased debt that are amortized as interest expense. During fiscal 2018, we incurred debt modification fees of $2.2 million related to the satisfaction of our 2006 CMBS mortgage, and capital lease interest of $13.1 million during fiscal 2018 versus $1.4 million during the comparable period of fiscal 2017, partially offset by a decrease in mortgage interest expense of $3.0 million.

26

Benefit from income taxes. Our effective tax rate was 20.2% and (557.2)% for fiscal 2018 and fiscal 2017, respectively. Our effective tax rate for fiscal 2018 was impacted by (i) the permanent addback of certain nondeductible expenses including transaction costs related to the Cedar Creek acquisition, executive compensation, and excess tax benefits on share-based compensation; (ii) the tax benefit related to the lapse of statute of limitations for uncertain tax positions; (iii) the effect of the valuation allowance for separate company state income tax losses; and (iv) changes in the state effective tax rate used to value deferred tax assets.
The effective tax rate for fiscal 2017 was impacted by the release of a substantial portion of our valuation allowance, as the positive evidence outweighed the negative evidence in considering the recoverability of our deferred tax assets. See Note 8 of the Notes to Consolidated Financial Statements.

Fiscal 2017 Compared to Fiscal 2016

The following table sets forth our results of operations for fiscal 2017 and fiscal 2016, which both comprised 52 weeks.

	Fiscal 2017	% of Net Sales	Fiscal 2016	% of Net Sales
	(Dollars in thousands)			
Net sales	$1,815,535	100.0%	$1,881,043	100.0%
Gross profit	231,029	12.7%	227,406	12.1%
Selling, general, and administrative	198,709	10.9%	204,509	10.9%
Gains from sales of property	(6,700)	(0.4)%	(28,097)	(1.5)%
Depreciation and amortization	9,032	0.5%	9,342	0.5%
Operating income	29,988	1.7%	41,652	2.2%
Interest expense, net	21,225	1.2%	24,898	1.3%
Other income, net	(822)	—%	(452)	—%
Income before (benefit from) provision for income taxes	9,585	0.5%	17,206	0.9%
(Benefit from) provision for income taxes	(53,409)	(2.9)%	1,121	0.1%
Net income	$62,994	3.5%	$16,085	0.9%

The following table sets forth changes in net sales by product category.

	Fiscal 2017	Fiscal 2016
	(Dollars in thousands)	
Sales by category		
Structural products	$842,182	$775,425
Specialty products	985,902	1,122,731
Other [(1)]	(12,549)	(17,113)
Total sales	$1,815,535	$1,881,043

(1)“Other” includes service revenue, unallocated allowances, and/or discounts.

The following table sets forth gross margin dollars and percentages by product category versus comparable prior periods.

	Fiscal 2017	Fiscal 2016
	(Dollars in thousands)	
Gross Profit $ by category		
Structural products	$77,462	$67,983
Specialty products	148,815	153,541
Other [1]	4,752	5,882
Total gross profit	$231,029	$227,406
Gross margin % by category		
Structural products	9.2 %	8.8 %
Specialty products	15.1 %	13.7 %
Total gross margin %	12.7 %	12.1 %

(1)"Other" includes service revenue, unallocated allowances, and discounts.

The following table sets forth a reconciliation of net sales and gross profit to the non-GAAP measures of adjusted same center net sales and adjusted same-center gross profit versus comparable prior periods. The schedule includes a reconciliation of net sales and gross profit excluding the effect of operational efficiency initiatives (specifically, facility closures and a SKU rationalization initiative) that were substantially complete as of December 31, 2016.[1]

	Fiscal 2017	Fiscal 2016
	(Dollars in thousands)	
Net sales	$1,815,535	$1,881,043
Less: non-GAAP adjustments	—	129,184
Adjusted same-center net sales	$1,815,535	$1,751,859
Adjusted year-over-year percentage increase	3.6%	
Gross profit	$231,029	$227,406
Less: non-GAAP adjustments	50	7,617
Adjusted same-center gross profit	$230,979	$219,789

(1) The above schedule is not a presentation made in accordance with GAAP, and is not intended to present a superior measure of the financial condition from those determined under GAAP. Adjusted net sales and adjusted gross profit as used herein, are not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation.

We believe adjusted net sales and adjusted gross profit are helpful in presenting comparability across periods without the effect of our operational efficiency initiatives on the later periods. We also believe that these non-GAAP metrics are used by securities analysts, investors, and other interested parties in their evaluation of our company, to illustrate the effects of these initiatives. We compensate for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than using GAAP results alone.

Discussion of Results of Operations:

Net sales. Net sales of $1.8 billion in fiscal 2017 decreased by 3.5%, or $65.5 million from fiscal 2016. The non-GAAP measure of adjusted same center net sales in fiscal 2017 increased by 3.6% from fiscal 2016, as we optimized the sales performance of our existing facilities.

Gross profit. Total gross profit for fiscal 2017 was $231.0 million, compared to $227.4 million in fiscal 2016. Gross margin increased to 12.7% in fiscal 2017, compared to 12.1% in fiscal 2016. This was due to higher margins on both our structural and specialty products, including margin increases of 140 basis points on specialty products and 40 basis points on structural products. Adjusted same-center gross profit, which is a non-GAAP measure, increased by $11.2 million in fiscal 2017 from fiscal 2016.

Selling, general, and administrative. SG&A for fiscal 2017 was $198.7 million, compared to $204.5 million, during fiscal 2016; which, on a percentage of sales basis, remained flat at 10.9% of net sales. The decrease of $5.8 million was largely comprised of decreases in payroll and related costs, general maintenance, and property taxes, and a decrease in third party freight costs; as cost benefits were realized during fiscal 2017 from the operational efficiency initiatives that were substantially completed during fiscal 2016.

Interest expense, net. Interest expense for fiscal 2017 was $21.2 million, compared to $24.9 million for fiscal 2016. The decrease of $3.7 million related largely to our decreased principal balance of both our 2006 CMBS mortgage loan and revolving credit facility. Additionally, in fiscal 2016, we paid the remaining balance of our previous Canadian revolving credit facility, which related to our operations in Canada, that have since ceased.

(Benefit from) provision for income taxes. Our effective tax rate was (557.2)% and 6.5% for fiscal 2017 and fiscal 2016, respectively. Our effective tax rate for fiscal 2017 primarily was a result of a release of a substantial portion of our valuation allowance, as the positive evidence outweighed the negative evidence in considering the recoverability of our deferred tax assets (See Note 8 of the Notes to Consolidated Financial Statements). Our remaining valuation allowance is approximately $10.4 million, which primarily relates to state NOL carryforwards.

The effective tax rate for fiscal 2016 was reduced by the utilization of our net operating loss deferred tax asset and the corresponding release of the valuation allowance due to net income generated during fiscal 2016. The effect of the valuation allowance for fiscal 2016 was impacted by alternative minimum tax, state income taxes, gross receipts taxes, and foreign income taxes recorded on a separate company basis.

Liquidity and Capital Resources

We expect our primary sources of liquidity to be cash flows from sales in the normal course of our operations and borrowings under our Revolving Credit Facility. We expect that these sources will fund our ongoing cash requirements for the foreseeable future. We believe that sales in the normal course of our operations and amounts currently available from our Revolving Credit Facility and other sources will be sufficient to fund our routine operations and working capital requirements for at least the next 12 months.

Sources and Uses of Cash

Operating Activities

During fiscal 2018, cash flows provided by operating activities totaled $41.6 million. This cash activity was primarily driven by changes in working capital components, including an increase in cash provided by accounts payable of $25.0 million, and an increase in cash provided by accounts receivable of $60.0 million, partially offset by a net loss of $48.1 million. The changes in working capital components reflected in our Consolidated Balance Sheets include the acquisition of Cedar Creek.

In the prior year, fiscal 2017 cash flows used in operating activities totaled $2.5 million. This cash activity was primarily driven by changes in working capital components, including a decrease in accounts payable of $12.1 million, and an increase in accounts receivable, partially offset by a decrease in inventory.

Investing Activities

During fiscal 2018, our net cash used in investing activities was $242.7 million, which was substantially driven by the cash paid for the acquisition of Cedar Creek, net of cash acquired, of $348.1 million, offset by cash received from property sales and sale-leaseback transactions of $108.1 million.

During fiscal 2017, our net cash provided by investing activities was $26.8 million, which was substantially driven by property sales and sale-leaseback transactions of $27.6 million. Gains recognized on these sales were $6.7 million, and included in adjustments to net income in operating activities on the Statements of Cash Flows. Additionally, we performed sale-leaseback transactions on three distribution centers, and recognized a total deferred gain of $13.7 million on the three sale-leaseback properties, which will generally amortize into net income over the terms of the leases, and, as such, will generally be reflected at each reporting period as adjustments to net income (loss) in operating activities on the Statements of Cash Flows.

Financing Activities

Net cash provided by financing activities was $205.4 million during fiscal 2018, which primarily reflected the addition of our new Term Loan Facility of $180.0 million, and net borrowings on our Revolving Credit Facility of

$150.6 million, offset by

payments of principal on our 2006 CMBS mortgage of $97.8 million, which were largely derived from sales of property and sale-leaseback transactions. The addition of our Term Loan Facility and increased borrowings on our Revolving Credit Facility is due to our acquisition of Cedar Creek.

Net cash used in financing activities was $25.2 million during fiscal 2017, which primarily reflected payments of principal on our 2006 CMBS mortgage of $29.0 million. Payments of principal on our 2006 CMBS mortgage in fiscal 2017 were largely derived from sales of property and sale-leaseback transactions.

Operating Working Capital

Operating working capital is an important measurement we use to determine the efficiencies of our operations and our ability to readily convert assets into cash. Operating working capital is defined as current assets less current liabilities plus the current portion of long-term debt. Management of operating working capital helps us monitor our progress in meeting our goals to enhance our return on working capital assets.

Selected financial information (in thousands)

	December 29, 2018	**December 30, 2017**
Current assets:		
Cash	$ 8,939	$ 4,696
Receivables, less allowance for doubtful accounts	208,434	134,072
Inventories, net	341,851	187,512
Other current assets	40,629	17,124
Total current assets	$ 599,853	$ 343,404
Current liabilities:		
Accounts payable	$ 131,771	$ 70,623
Bank overdrafts	17,417	21,593
Accrued compensation	7,974	9,229
Current maturities of long-term debt, net of discount	1,736	—
Capital leases - short-term	7,555	3,552
Real estate deferred gains - short-term	5,330	1,836
Other current liabilities	24,985	10,772
Total current liabilities	$ 196,768	$ 117,605
Operating working capital	$ 404,821	$ 225,799

Operating working capital increased to $404.8 million as of December 29, 2018, from $225.8 million as of December 30, 2017. The increase in operating working capital is primarily due to our acquisition of Cedar Creek; reflecting an increase of $61.1 million in accounts payable, along with an increase in accounts receivable of $74.4 million, partially offset by an increase in other current liabilities, along with an increase in inventories and other current assets.

Debt and Credit Sources

As of December 29, 2018 and December 30, 2017, long-term debt consisted of the following:

(In thousands)	Maturity Date	December 29, 2018	December 30, 2017
Revolving Credit Facility (net of discounts and debt issuance costs of $6.0 million and $3.1 million at December 29, 2018 and December 30, 2017, respectively)	October 10, 2022	$327,319	$179,569
Mortgage Note Payable (net of discounts and debt issuance costs of $0.8 million at December 30, 2017)		—	97,108
Term Loan Facility (net of discounts and debt issuance costs of $6.7 million at December 29, 2018)	October 13, 2023	172,356	—
Total debt		499,675	276,677
Less: current portion of long-term debt		(1,736)	—
Long-term debt, net		$497,939	$276,677

Revolving Credit Facility

On April 13, 2018, in connection with the acquisition Cedar Creek, we amended and restated our Revolving Credit Facility to provide for a senior secured revolving loan and letter of credit facility of up to $600 million and an uncommitted accordion feature that permits us to increase the facility by an aggregate additional principal amount of up to $150 million. If we obtain the full amount of the additional increases in commitments, the Revolving Credit Facility will allow borrowings of up to $750 million. Borrowings under the Revolving Credit Facility are subject to availability under the Borrowing Base (as that term is defined in the Revolving Credit Agreement). Letters of credit in an aggregate amount of up to $30 million are also available under the Revolving Credit Agreement, which would reduce the amount of the revolving loans available under the Revolving Credit Facility. The Revolving Credit Agreement provides for interest at a rate per annum equal to (i) LIBOR plus a margin ranging from 1.75 percent to 2.25 percent, with the margin determined based upon average excess availability for the immediately preceding fiscal quarter for loans based on LIBOR, or (ii) the administrative agent's base rate plus a margin ranging from 0.75 percent to 1.25 percent, with the margin based upon average excess availability for the immediately preceding fiscal quarter for loans based on the base rate.

If excess availability falls below the greater of (i) $50 million and (ii) 10 percent of the lesser of (a) the borrowing base and (b) the maximum permitted credit at such time, the Revolving Credit Agreement requires maintenance of a fixed charge coverage ratio of 1.0 to 1.0 until excess availability has been at least the greater of (i) $50 million and (ii) 10 percent of the lesser of (a) the borrowing base and (b) the maximum permitted credit at such time for a period of 30 consecutive days.

As of December 29, 2018, we had outstanding borrowings of $333.3 million, excess availability of $91.7 million, and a weighted average interest rate of 4.6% under our Revolving Credit Facility. As of December 30, 2017, prior to the acquisition of Cedar Creek, we had outstanding borrowings of $182.7 million, excess availability of $63.3 million and a weighted average interest rate of 4.2%.

We were in compliance with all covenants under the Revolving Credit Facility as of December 29, 2018.

Term Loan Facility

On April 13, 2018, we entered into our Term Loan Facility with HPS Investment Partners, LLC, and the other financial institutions party thereto. The Term Loan Facility provides for a term loan of $180 million secured by substantially all of our assets. Borrowings under the Term Loan Facility may be made as Base Rate Loans or Eurodollar Rate Loans. The Base Rate Loans will bear interest at the rate per annual equal to (i) the greatest of the (a) U.S. prime lending rate published in The Wall Street Journal, (b) the Federal Funds Effective Rate plus 0.50 percent, and (c) the sum of the Adjusted Eurodollar Rate of one month plus 1.00 percent, provided that the Base Rate shall at no time be less than 2.00 percent per annum; and (ii) plus the Applicable Margin, as described below. Eurodollar Rate Loans will bear interest at the rate per annum equal to (i) the ICE Benchmark Administration LIBOR Rate, provided that the Adjusted Eurodollar Rate shall at no time be less than 1.00 percent per annum; plus (ii) the Applicable Margin. The Applicable Margin will be 6.00 percent with respect to Base Rate Loans and 7.00 percent with respect to Eurodollar Rate Loans.

31

The Term Loan Facility required maintenance of a total net leverage ratio of 6.75 to 1.00 for the fiscal quarter ending December 29, 2018, and such required covenant level reduces on a quarterly basis over the term of the Term Loan Facility.

As of December 29, 2018, we had outstanding borrowings of $179.1 million under our Term Loan Facility and a stated interest rate of 9.3 percent per annum.

We were in compliance with all covenants under the Term Loan Facility as of December 29, 2018.

2006 CMBS Mortgage Loan

Our 2006 CMBS mortgage loan, which was paid in full in the first quarter of 2018, was secured by substantially all of the Company's owned distribution facilities and a first priority pledge of the equity in the Company's subsidiaries which held the real property that secured the mortgage loan.

Pension Funding Obligations

We currently are required to make four quarterly cash contributions during 2019 and 2020 totaling approximately $2.2 million, relating to our pension fiscal 2019 funding year pension contributions. In 2012, we obtained a funding waiver for that plan year, which was repaid over the successive five-year period, through the 2017 funding year ending September 15, 2018, with principal and interest payments totaling approximately $0.7 million each year. In 2013, we contributed real property to the pension plan to satisfy minimum contribution requirements. Although such real property contribution was recognized for funding purposes, it was not recognized under GAAP, as this transaction did not meet the requirements to qualify as a sale under GAAP. We continue to evaluate pension funding obligations and requirements in order to meet our obligations while maintaining flexibility for working capital requirements. See Note 11 to our Consolidated Financial Statements.

Off-Balance Sheet Arrangements

As of December 29, 2018, we did not have any material off-balance sheet arrangements.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S., which require management to make estimates, judgments, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We believe that our most critical accounting policies and estimates relate to (1) revenue recognition; (2) our defined benefit pension plan; and (3) income taxes.

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. All of these estimates reflect our best judgment about current, and for some estimates future, economic and market conditions and their potential effects based on information available as of the date of these financial statements. If these conditions change from those expected, it is reasonably possible that the judgments and estimates described below could change, which may result in our recording additional pension liabilities, or increased tax liabilities, among other effects.

Management has discussed the development, selection, and disclosure of critical accounting policies and estimates with the Audit Committee of the Company's Board of Directors. While our estimates and assumptions are based on our knowledge of current events and actions we may undertake in the future, actual results ultimately may differ from these estimates and assumptions. For a discussion of the Company's significant accounting policies, refer to Note 1 of the Notes to Consolidated Financial Statements.

Revenue Recognition

We recognize revenue when the following criteria are met: 1) Contract with the customer has been identified; 2) Performance obligations in the contract have been identified; 3) Transaction price has been determined; 4) The transaction price has been allocated to the performance obligations; and 5) When (or as) performance obligations are satisfied. For us, this generally means that we recognize revenue when title to our products is transferred to our customers. Title usually transfers upon shipment to, or receipt at, our customers' locations, as determined by the specific sales terms of each transaction. Our customers can earn certain incentives including, but not limited to, cash discounts and rebates. These incentives are deducted from revenue recognized. In preparing the financial statements, management must make estimates related to the contractual terms, customer performance, and sales volume to determine the total amounts recorded as deductions from revenue. Management also considers past results in making such estimates. The actual amounts ultimately paid may be different from our estimates, and recorded once they have been determined.

Defined Benefit Pension Plan

We sponsor and contribute to a defined benefit pension plan. Most of the participants in the plan are inactive, with the majority of the remaining active participants no longer accruing benefits; and the plan is closed to new entrants. Management is required to make certain critical estimates related to actuarial assumptions used to determine our pension expense and related obligation. We believe the most critical assumptions are related to (1) the discount rate used to determine the present value of the liabilities and (2) the expected long-term rate of return on plan assets. All of our actuarial assumptions are reviewed annually, or upon any mid-year curtailment or settlement, should any such event occur. Changes in these assumptions could have a material impact on the measurement of our pension expense and related obligation. At each measurement date, we determine the discount rate by reference to rates of high-quality, long-term corporate bonds that mature in a pattern similar to the future payments we anticipate making under the plan. As of December 29, 2018, and December 30, 2017, the weighted-average discount rate used to compute our benefit obligation was 4.37% and 3.69%, respectively. The expected long-term rate of return on plan assets is based upon the long-term outlook of our investment strategy as well as our historical returns and volatilities for each asset class. We also review current levels of interest rates and inflation to assess the reasonableness of our long-term rates. Our pension plan investment objective is to ensure our plan has sufficient funds to meet its benefit obligations when they become due. As a result, we periodically revise asset allocations, where appropriate, to improve returns and manage risk. The weighted-average expected long-term rate of return used to calculate our pension expense was 6.00% and 8.10% for fiscal 2018 and fiscal 2017, respectively.

The impact of a 0.25% change in these critical assumptions is as follows:

Change in Assumption	**Effect on 2019 Pension Expense**	**Effect on Accrued Pension Liability at December 29, 2018**
	(In thousands)	
0.25% decrease in discount rate	$ 3	$ 3,011
0.25% increase in discount rate	$ (20)	$ (2,881)
0.25% decrease in expected long-term rate of return on assets	$ 199	$ —
0.25% increase in expected long-term rate of return on assets	$ (199)	$ —

As almost all of the participants in the pension plan are inactive, we amortize actuarial gains and losses over the estimated average remaining life expectancy of the inactive participants, rather than the estimated average remaining service period of the active participants. The sensitivity analysis presented above reflects these assumptions.

Income Taxes
Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax expense and in evaluating our tax positions. We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that the positions become uncertain based upon one of the following: (1) the tax position is not "more likely than not" to be sustained; (2) the tax position is "more likely than not" to be sustained, but for a lesser amount; or (3) the tax position is "more likely than not" to be sustained, but not in the financial period in which the tax position was originally taken. For purposes of evaluating whether or not a tax position is uncertain, (1) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information, (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position, and (3) each tax position is evaluated without considerations of the possibility of offset or aggregation with other tax positions taken. We adjust these reserves, including any impact on the related interest and penalties, in light of changing facts and circumstances, such as the progress of a tax audit. Refer to Note 8 of the Notes to Consolidated Financial Statements.

A number of years may elapse before a particular matter for which we have established a reserve is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. The tax benefit that has been previously reserved because of a failure to meet the "more likely than not" recognition threshold would be recognized in our income tax expense in the first interim period when the uncertainty disappears under any one of the following conditions: (1) the tax position is "more likely than not" to be sustained; (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation; or (3) the statute of limitations for the tax position has expired. Settlement of any particular issue would usually require the use of cash.

On December 22, 2017, the U.S. government enacted tax legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Tax Act provides for significant changes to tax law for tax years beginning after December 31, 2017, including, but not limited to, the reduction of the U.S. federal corporate income tax rate from 35% to 21%, repeal of the corporate alternative minimum tax ("AMT"), and additional limitations on the deductibility of interest expense and executive compensation.

In order to determine the income tax effects of the Tax Act, we were required to re-measure our deferred tax balances as of the enactment date of the Tax Act, based on the rates at which the balances are expected to reverse in the future. The reduction in the federal corporate income tax rate from 35% to 21% resulted in a reduction in our deferred tax asset of $28.8 million with an offsetting adjustment to the valuation allowance of $28.6 million resulting in deferred income tax expense of $0.2 million in fiscal 2017. Furthermore, the Tax Act repealed the AMT and provided that taxpayers with AMT credit carryovers in excess of their regular tax liability may have the credits refunded over a period from 2018-2021. As a result, we released our valuation allowance on AMT credits due to the Tax Act of $0.8 million and recorded a corresponding deferred income tax benefit. In addition, we reclassed our AMT credit carryforward of $0.8 million to a non-current receivable. Once reclassed, we reduced the estimated refund and recorded a current income tax expense of $0.1 million to account for the effects of the sequester. During 2018, the IRS changed its position on whether the AMT credit was subject to sequester so we reversed the previous expense taken of $0.1 million

Tax law requires items to be included in the tax return at different times than when these items are reflected in the consolidated financial statements. As a result, the annual tax rate reflected in our consolidated financial statements is different from that reported in our tax return (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These timing differences create deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities. The

tax rates used to determine deferred tax assets or liabilities are the enacted tax rates in effect for the year and manner in which the differences are expected to reverse. Based on the evaluation of all available information, we recognize future tax benefits, such as net operating loss carryforwards, to the extent that realizing these benefits is considered more likely than not.

We evaluate our ability to realize the tax benefits associated with deferred tax assets by analyzing our forecasted taxable income using both historical and projected future operating results, the reversal of existing taxable temporary differences, taxable income in prior carryback years (if permitted), and the availability of tax planning strategies. A valuation allowance is required to be established unless management determines that it is more likely than not that we will ultimately realize the tax benefit associated with a deferred tax asset. As of December 30, 2017, we had determined that positive evidence outweighed the negative evidence in considering the recoverability of our deferred tax assets, and we therefore released a substantial portion of our valuation allowance of $53.5 million after considering tax reform implications. As of December 29, 2018,

positive evidence continues to outweigh negative evidence, so no valuation allowance was deemed necessary except to the extent of state NOLs which approximates $12.3 million.. See Note 8 of the Notes to Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

For a summary of recent accounting pronouncements applicable to our consolidated financial statements, see Note 1 of the Notes to Consolidated Financial Statements.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

As a smaller reporting company, we are not required to provide this information.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Index to Consolidated Financial Statements

	Page
Report of Independent Registered Public Accounting Firm	37
Consolidated Balance Sheets	38
Consolidated Statements of Operations and Comprehensive Income (Loss)	39
Consolidated Statements of Cash Flows	40
Consolidated Statements of Stockholders' Equity (Deficit)	41
Notes to Consolidated Financial Statements	42

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
BlueLinx Holdings Inc. and subsidiaries
Marietta, Georgia

Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheets of BlueLinx Holdings Inc. and subsidiaries (the “Company”) as of December 29, 2018 and December 30, 2017, the related consolidated statements of operations and comprehensive (loss) income, cash flows, and stockholders’ (deficit) equity for each of the periods ended December 29, 2018, December 30, 2017, and December 31, 2016, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 29, 2018 and December 30, 2017, and the results of their operations and their cash flows for each of the periods ended December 29, 2018, December 30, 2017, and December 31, 2016**,** in conformity with accounting principles generally accepted in the United States of America.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 13, 2019 expressed an unqualified opinion thereon.
Basis for Opinion
These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.
Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP
We have served as the Company's auditor since 2015.

Atlanta, Georgia
March 13, 2019

BLUELINX HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS

	December 29, 2018	December 30, 2017
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash	$ 8,939	$ 4,696
Receivables, less allowances of $3,656 and $2,762, respectively	208,434	134,072
Inventories	341,851	187,512
Other current assets	40,629	17,124
Total current assets	599,853	343,404
Property and equipment:		
Land and improvements	21,454	30,802
Buildings	174,138	84,781
Machinery and equipment	111,680	70,596
Construction in progress	1,126	570
Property and equipment, at cost	308,398	186,749
Accumulated depreciation	(103,285)	(102,977)
Property and equipment, net	205,113	83,772
Goodwill	47,772	—
Intangible assets, net	35,222	—
Deferred tax asset	52,645	53,853
Other non-current assets	19,284	13,066
Total assets	$ 959,889	$ 494,095
LIABILITIES AND STOCKHOLDERS’ (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 131,771	$ 70,623
Bank overdrafts	17,417	21,593
Accrued compensation	7,974	9,229
Current maturities of long-term debt, net of discount of $64 and $0, respectively	1,736	—
Capital leases - short-term	7,555	3,552
Real estate deferred gains - short-term	5,330	1,836
Other current liabilities	24,985	10,772
Total current liabilities	196,768	117,605
Non-current liabilities:		
Long-term debt, net of discount of $12,665 and $3,792, respectively	497,939	276,677
Capital leases - long-term	143,486	14,007
Real estate deferred gains - long-term	86,011	10,485
Pension benefit obligation	26,668	30,360
Other non-current liabilities	23,680	9,959
Total liabilities	974,552	459,093
Commitments and contingencies (Note 16)		
STOCKHOLDERS’ (DEFICIT) EQUITY		
Common Stock, $0.01 par value, Authorized - 20,000,000 shares, Issued and Outstanding - 9,293,794 and 9,100,923, respectively	92	91
Additional paid-in capital	258,596	259,588
Accumulated other comprehensive loss	(37,129)	(36,507)
Accumulated deficit	(236,222)	(188,170)
Total stockholders’ (deficit) equity	(14,663)	35,002

Total liabilities and stockholders’ (deficit) equity	$959,889	$ 494,095

BLUELINX HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

	Fiscal Year Ended December 29, 2018	Fiscal Year Ended December 30, 2017	Fiscal Year Ended December 31, 2016
	(In thousands, except per share data)		
Net sales	$2,862,850	$1,815,535	$1,881,043
Cost of sales	2,530,996	1,584,506	1,653,637
Gross profit	331,854	231,029	227,406
Operating expenses:			
Selling, general, and administrative	319,314	198,709	204,509
Gains from sales of property	—	(6,700)	(28,097)
Depreciation and amortization	25,826	9,032	9,342
Total operating expenses	345,140	201,041	185,754
Operating (loss) income	(13,286)	29,988	41,652
Non-operating expenses:			
Interest expense	47,301	21,225	24,898
Other (income) expense, net	(380)	(822)	(452)
(Loss) income before (benefit from) provision for income taxes	(60,207)	9,585	17,206
(Benefit from) provision for income taxes	(12,154)	(53,409)	1,121
Net (loss) income	$(48,053)	$62,994	$16,085
Basic (loss) earnings per share	$(5.21)	$6.96	$1.80
Diluted (loss) earnings per share	$(5.21)	$6.81	$1.77
Comprehensive (loss) income:			
Net (loss) income	$(48,053)	$62,994	$16,085
Other comprehensive (loss) income :			
Foreign currency translation, net of tax	(14)	14	264
Amortization of unrecognized pension (loss) gain, net of tax	(608)	130	(2,141)
Total other comprehensive (loss) income	(622)	144	(1,877)
Comprehensive (loss) income	$(48,675)	$63,138	$14,208

BLUELINX HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended December 29, 2018	Fiscal Year Ended December 30, 2017	Fiscal Year Ended December 31, 2016
	(In thousands)		
Cash flows from operating activities:			
Net (loss) income	$(48,053)	$62,994	$16,085
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:			
(Benefit from) provision for income taxes	(12,154)	(53,409)	1,121
Depreciation and amortization	25,826	9,032	9,342
Amortization of debt issuance costs	2,884	1,990	2,688
Gains from sales of property	—	(6,700)	(28,097)
Pension expense (credit)	7,660	4,814	799
Share-based compensation	8,474	2,480	2,339
Capital lease interest expense	12,893	1,417	608
Amortization of deferred gain	(5,069)	(1,389)	—
Other	835	(378)	(508)
Changes in operating assets and liabilities:			
Accounts receivable	60,007	(8,214)	12,687
Inventories	4,887	3,775	35,374
Accounts payable	24,982	(12,112)	(5,352)
Prepaid assets	3,515	(1,058)	632
Quarterly pension contributions	(3,986)	(2,996)	(4,666)
Payments on operational efficiency initiatives and/or restructuring	—	—	(4,812)
Other assets and liabilities	(41,145)	(2,749)	3,157
Net cash provided by (used in) operating activities	41,556	(2,503)	41,397
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	(348,060)	—	—
Property and equipment investments	(2,724)	(797)	(631)
Proceeds from disposition of assets	108,051	27,635	37,476
Net cash (used in) provided by investing activities	(242,733)	26,838	36,845
Cash flows from financing activities:			
Repurchase of shares to satisfy employee tax withholdings	(3,020)	(226)	(178)
Repayments on revolving credit facilities	(729,423)	(435,708)	(519,873)
Borrowings from revolving credit facilities	880,042	441,779	475,112
Repayments on term loan	(900)	—	—
Borrowings on term loan	180,000	—	—
Principal payments on mortgage	(97,847)	(28,976)	(41,377)
Payments on capital lease obligations	(7,497)	(3,429)	(2,908)
Decrease in bank overdrafts	(4,177)	(103)	4,409
Increase in cash in escrow related to the mortgage	—	1,490	7,628
Debt financing costs	(11,758)	—	(602)
Other	—	(6)	279
Net cash provided by (used in) financing activities	205,420	(25,179)	(77,510)
Increase (decrease) in cash	4,243	(844)	732
Cash, beginning of period	4,696	5,540	4,808
Cash, end of period	$8,939	$4,696	$5,540

Supplemental Cash Flow Information			
Net income tax payments during the period	$2,643	$ 1,577	$ 627
Interest paid during the period	$37,326	$ 19,825	$ 21,236
Noncash transactions:			
Property and equipment under capital leases	$95,820	$ 11,828	$ 3,433

BLUELINX HOLDINGS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ (DEFICIT) EQUITY

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Stockholders’ (Deficit) Equity Total
	Shares	Amount				
	(In thousands)					
Balance, January 2, 2016	8,943	$ 89	$ 255,905	$ (34,774)	$ (267,116)	$ (45,896)
Net loss	—	—	—	—	16,085	16,085
Foreign currency translation, net of tax	—	—	—	264	—	264
Unrealized gain from pension plan, net of tax	—	—	—	(2,141)	—	(2,141)
Issuance of restricted stock, net of forfeitures	66	1	—	—	—	1
Vesting of performance shares	55	—	—	—	—	—
Compensation related to share-based grants	—	—	1,818	—	—	1,818
Repurchase of shares to satisfy employee tax withholdings	(31)	—	(178)	—	—	(178)
Other	(2)	—	427	—	(221)	206
Balance, December 31, 2016	9,031	90	257,972	(36,651)	(251,252)	(29,841)
Net income	—	—	—	—	62,994	62,994
Foreign currency translation, net of tax	—	—	—	14	—	14
Unrealized loss from pension plan, net of tax	—	—	—	130	—	130
Vesting of restricted stock units	100	1	—	—	—	1
Vesting of performance shares	—	—	—	—	—	—
Compensation related to share-based grants	—	—	1,842	—	—	1,842
Repurchase of shares to satisfy employee tax withholdings	(30)	—	(226)	—	—	(226)
Other	—	—	—	—	88	88
Balance, December 30, 2017	9,101	91	259,588	(36,507)	(188,170)	35,002
Net loss	—	—	—	—	(48,053)	(48,053)
Foreign currency translation, net of tax	—	—	—	(14)	—	(14)
Unrealized gain from pension plan, net of tax	—	—	—	(608)	—	(608)
Vesting of restricted stock units	287	—	—	—	—	—
Vesting of performance shares	—	1	—	—	—	1
Compensation related to share-based grants	—	—	1,900	—	—	1,900
Repurchase of shares to satisfy employee tax withholdings	(94)	—	(2,879)	—	—	(2,879)
Other	—	—	(13)	—	1	(12)
Balance, December 29, 2018	9,294	$ 92	$ 258,596	$ (37,129)	$ (236,222)	$ (14,663)

BLUELINX HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
1. Summary of Significant Accounting Policies
Basis of Presentation
BlueLinx is a wholesale distributor of building and industrial products in the U.S. Our Consolidated Financial Statements include the accounts of BlueLinx Holdings Inc. and its wholly owned subsidiaries. These financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated.
Fiscal years 2018, 2017, and 2016 were each comprised of 52 weeks. Our fiscal year ends on the Saturday closest to December 31 of that fiscal year, and may comprise 53 weeks in certain years.
Use of Estimates
We are required to make estimates and assumptions when preparing our Consolidated Financial Statements in accordance with U.S. GAAP. These estimates and assumptions affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. Actual results could differ materially from those estimates.
Subsequent Events

We evaluated subsequent events through the date that our Consolidated Financial Statements were issued. Except as described in Note 19, no matters were identified that required adjustment of the Consolidated Financial Statements or additional disclosure.

Recent Accounting Standards - Recently Issued
Leases. In 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)." Topic 842 establishes a new lease accounting model for leases. The most significant changes include the clarification of the definition of a lease, the requirement for lessees to recognize for all leases a right-of-use asset and a lease liability in the consolidated balance sheet, and additional quantitative and qualitative disclosures which are designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. Expenses are recognized in the consolidated statement of income in a manner similar to current accounting guidance. Lessor accounting under the new standard is substantially unchanged. We adopted this standard, and all related amendments thereto, effective December 30, 2018, the first day of our fiscal 2019 year, using a prospective transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented. We have elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows us to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. We have made an accounting policy election to keep leases with an initial term of 12 months or less off of the consolidated balance sheet. We are finalizing our evaluation of the impacts that the adoption of this accounting guidance will have on the consolidated financial statements, and estimate approximately $60 - $65 million of additional right-of-use assets and liabilities will be recognized in our consolidated balance sheet upon adoption. Additionally, approximately $1.7 million of deferred gains associated with sale-leaseback transactions will be recorded as a cumulative-effect adjustment to accumulated deficit.
Goodwill. In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350)." This standard is intended to simplify the test for goodwill impairments by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Under the new ASU, a goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The accounting standard will be effective for reporting periods beginning after December 15, 2019, and early adoption is permitted. We have not completed our assessment of the standard but we do not expect the adoption to have a material impact on the Company's consolidated financial position, results of operations and cash flows.
Comprehensive Income. In February 2018, the FASB issued ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220)." This standard provides an option to reclassify stranded tax effects within accumulated other comprehensive income (loss) ("AOCI") to retained earnings due to the U.S. federal corporate income

tax rate change in the Tax Cuts and Jobs Act of 2017. This standard is effective for interim and annual reporting periods beginning after

December 15, 2018, and early adoption is permitted. We have not completed our assessment, but the adoption of the standard may impact tax amounts stranded in AOCI related to our pension plans. We adopted this standard effective December 30, 2018, the first day of our fiscal 2019 year.

Fair Value Measurement. In August 2018, the FASB issued ASU No. 2018-13, “Fair Value (“FV”) Measurement (Topic 820).” In addition to making certain modifications, the standard removes the requirements to disclose: (i) the amount of and reasons for transfers between Level 1 and Level 2 of the FV hierarchy; (ii) the policy for timing transfers between levels; and (iii) the valuation process for Level 3 FV measurements. The standard will require public entities to disclose: (i) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 FV measurements held at the end of the reporting period; and (ii) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 FV measurements. The additional disclosure requirements should be applied prospectively for the most recent interim or annual period presented in the fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented. The amendments in this standard are effective for fiscal years ending after December 15, 2019. Early adoption is permitted, and an entity may early adopt the removed or modified disclosures and delay the adoption of new disclosures until the effective date. We have not completed our assessment of the standard but we do not expect the adoption to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Defined Benefit Pension Plan. In August 2018, the FASB issued ASU No. 2018-14, “Compensation-Retirement-Benefits-Defined Benefit Plans-General (Subtopic 715-20).” The amendments in this update modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing six previously required disclosures and adding two. The amendments also clarify certain disclosure requirements. The amendments in this standard are effective for fiscal years ending after December 15, 2020. Early adoption is permitted. We have not completed our assessment of the standard but we do not expect the adoption to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Recent Accounting Standards - Recently Adopted

Revenue from Contracts with Customers. In 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASC 606”) that superseded existing revenue recognition guidance. Under this ASU and subsequently issued amendments, revenue is recognized at the time a good or service is transferred to a customer for the amount of consideration received. The standard was effective for the first interim period within annual periods beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016. Entities were permitted to adopt the standard using a “full retrospective” approach (retrospectively to each prior reporting period presented) or a “modified retrospective” approach (reporting the cumulative effect as of the date of adoption).

On December 31, 2017, the first day of our fiscal 2018 year, we adopted ASC 606 using the modified retrospective method applied to those contracts which were not completed as of that date. Results for reporting periods beginning after the first day of fiscal 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under the previous accounting standard, ASC 605. There was no adjustment due to the cumulative impact of adopting ASC 606 (See Note 3).

Revenue Recognition

We recognize revenue when control of the promised goods or services is transferred to the Company’s customers in an amount that reflects the consideration we expected to be entitled to in exchange for those goods or services. The timing of revenue recognition largely is dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (“FOB”) shipping point. For sales transactions designated FOB destination, revenue is recorded when the product is delivered to the customer’s delivery site.

In addition, we provide inventory to certain customers through pre-arranged agreements on a consignment basis. Customer consigned inventory is maintained and stored by certain customers; however, ownership and risk of loss

remains with us. When the consigned inventory is sold by the customer, we recognize revenue on a gross basis. All revenues recognized are net of trade allowances, cash discounts, and sales returns. Cash discounts and sales returns are estimated using historical experience. Trade allowances are based on the estimated obligations and historical experience.

Adjustments to earnings resulting from revisions to estimates on discounts and returns have been insignificant for each of the reported periods.

Accounts Receivable

Accounts receivable are stated at net realizable value, do not bear interest, and consist of amounts owed for orders shipped to customers. Management establishes an overall credit policy for sales to customers. The allowance for doubtful accounts is determined based on a number of factors including specific customer account reviews, historical loss experience, current economic trends, and the creditworthiness of significant customers based on ongoing credit evaluations.

Inventory Valuation

The cost of all inventories is determined by the moving average cost method. We have included all material charges directly or indirectly incurred in bringing inventory to its existing condition and location. We evaluate our inventory value at the end of each quarter to ensure that inventory, when viewed by category, is carried at the lower of cost and net realizable value, which also considers items that may be damaged, excess, and obsolete inventory.

Consideration Received from Vendors and Paid to Customers

Each year, we enter into agreements with many of our vendors providing for inventory purchase rebates, generally based on achievement of specified volume purchasing levels. We also receive rebates related to price protection and various marketing allowances that are common industry practice. We accrue for the receipt of vendor rebates based on purchases, and also reduce inventory to reflect the net acquisition cost (purchase price less expected purchase rebates). In addition, we enter into agreements with many of our customers to offer customer rebates, generally based on achievement of specified sales levels and various marketing allowances that are common industry practice. We accrue for the payment of customer rebates based on sales to the customer, and also reduce sales to reflect the net sales (sales price less expected customer rebates). Adjustments to earnings resulting from revisions to rebate estimates have been immaterial.

Shipping and Handling

Shipping and handling costs included in “Selling, general, and administrative” expenses were $121.8 million, $83.1 million, and $89.0 million for fiscal 2018, fiscal 2017, and fiscal 2016, respectively.

Property and Equipment

Property and equipment are recorded at cost. Lease obligations for which we assume or retain substantially all the property rights and risks of ownership are capitalized. Amortization of assets recorded under capital leases is included in “Depreciation and amortization” expense. Replacements of major units of property are capitalized and the replaced properties are retired. Replacements of minor components of property and repair and maintenance costs are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Upon retirement or disposition of assets, cost and accumulated depreciation are removed from the related accounts and any gain or loss is included in income.

Income Taxes

We account for deferred income taxes using the liability method. Accordingly, we recognize deferred tax assets and liabilities based on the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by current enacted tax rates. All deferred tax assets and liabilities are classified as noncurrent in our consolidated balance sheet. A valuation allowance is recorded to reduce deferred tax assets when necessary. For additional information about our income taxes, see Note 8, “Income Taxes.”

Insurance and Self-Insurance

For fiscal 2018, 2017, and 2016, the Company purchased an insurance policy for its non-union and certain unionized employee health benefits, and was fully insured for this obligation. Health benefits for some unionized employees for fiscal 2018, 2017, and 2016 were paid directly to a union trust, depending upon the union-negotiated benefit arrangement.

For fiscal 2018, 2017, and 2016, the Company was self-insured, up to certain limits, for most workers’ compensation losses, general liability, and automotive liability losses, all subject to varying “per occurrence” retentions or deductible limits. The Company provides for estimated costs to settle both known claims and claims incurred but not yet

reported. Liabilities associated with these claims are estimated, in part, by considering the frequency and severity of historical claims, both specific to us, as well as industry-wide loss experience and other actuarial assumptions. We determine our insurance obligations with the assistance of actuarial firms. Since there are many estimates and assumptions involved in recording insurance liabilities and in the case of workers' compensation, a significant period of time elapses before the ultimate resolution of claims, differences between actual future events and prior estimates and assumptions could result in adjustments to these liabilities.

2. Acquisition
On April 13, 2018, we completed the acquisition of Cedar Creek Holdings, Inc. (“Cedar Creek”) for a purchase price of approximately $361.8 million. The acquisition was completed pursuant to the terms of an Agreement and Plan of Merger (the "Merger Agreement"), dated as of March 9, 2018, by and among BlueLinx Corporation, one of our wholly owned subsidiaries, Panther Merger Sub, Inc., a wholly-owned subsidiary of BlueLinx Corporation ("Merger Sub"), Cedar Creek, and CharlesBank Equity Fund VII, Limited Partnership (“CharlesBank”). Upon closing the transactions contemplated by the Merger Agreement, among other things, Merger Sub was merged with and into Cedar Creek, with Cedar Creek surviving the acquisition as one of our indirect wholly-owned subsidiaries. As a result of the acquisition, we increased the number of our distribution facilities to approximately 70 facilities, and increased the number of our full-time employees to approximately 2,600. The merger allowed us to expand our product offerings while expanding our existing geographical footprint.

Cedar Creek was established in 1977 as a wholesale building materials distribution company that distributes wood products across the United States. Its products include specialty lumber, oriented strand board, siding, cedar, spruce, engineered wood products and other building products.

The acquisition is being accounted for under the acquisition method of accounting. The assets acquired, liabilities assumed and the results of operations of the acquired business are included in our consolidated results since April 13, 2018.

We estimate that the acquired business contributed net sales and a net loss of approximately $1.0 billion and approximately $2.5 million, respectively, to the Company for the period from April 13, 2018, to December 29, 2018. The net income for the period from April 13, 2018, to December 29, 2018, included integration-related costs and the negative impact of selling a higher cost Cedar Creek inventory recorded at fair value. The following unaudited consolidated pro forma information presents consolidated information as if the acquisition had occurred on January 1, 2017:

	Pro forma	
(In thousands, except per share data)	**Fiscal 2018**	**Fiscal 2017**
Net sales	$3,262,433	$3,235,923
Net income (loss)	(18,129)	32,690
Earnings (loss) per common share:		
Basic	$(1.83)	$3.61
Diluted	(1.83)	3.54

The pro forma amounts above have been calculated in accordance with U.S. GAAP after applying the Company's accounting policies and adjusting the fiscal years ended December 29, 2018, and December 30, 2017 to reflect charges related to an inventory step-up adjustment for $11.8 million and transaction costs for $44.3 million. Due to the net loss for fiscal year ended December 29, 2018, 61,894 incremental shares from share-based compensation arrangements were excluded from the computation of diluted weighted average shares outstanding because their effect would be anti-dilutive. The pro forma amounts do not include any potential synergies, cost savings or other expected benefits of the acquisition, are presented for illustrative purposes only, and are not necessarily indicative of results that would have been achieved had the acquisition occurred as of January 1, 2017, or of future operating performance.

The purchase price of Cedar Creek consisted of the following items:

	(In thousands)
Consideration paid to shareholders and amounts paid to creditors:	
Payments to Cedar Creek shareholders[1]	$166,447
Subordinated unsecured note (due to shareholder)[2]	13,743
Seller's transaction costs paid by Company	7,349
Add: pay off of Cedar Creek debt[3]	174,213
Total preliminary cash purchase price	$361,752

[1] Payments to Cedar Creek's shareholders include the purchase of common stock and certain escrow adjustments.

[2] The Cedar Creek note payable to a shareholder of $13.7 million was paid in full upon the acquisition of Cedar Creek and included $10 million in subordinated debt and $3.7 million in accrued interest.

[3] To finance the acquisition of Cedar Creek, the Company amended and restated its Revolving Credit Facility to increase the availability thereunder to $600.0 million and also entered into a new $180.0 million senior secured Term Loan Facility (See Note 9).

The excess of total purchase price, which includes the aggregate cash consideration paid in excess of the fair value of the tangible and intangible assets acquired, was recorded as goodwill. The goodwill recognized is attributable to the expected operating synergies and growth potential that the Company expects to realize from the acquisition. None of the goodwill generated from the acquisition is deductible for tax purposes.

When determining the fair values of assets acquired and liabilities assumed, management made significant estimates, judgments and assumptions. The following table summarizes the values of the assets acquired and liabilities assumed at the date of the acquisition:

(In thousands)	**Preliminary Allocation as of December 29, 2018**
Cash and net working capital assets (excluding inventory)	$ 88,318
Inventory	159,227
Property and equipment	71,203
Other, net	(1,395)
Intangible assets and goodwill:	
Customer relationships	25,500
Non-compete agreements	8,254
Trade names	6,826
Favorable leasehold interests	800
Goodwill	47,772
Capital leases and other liabilities	(44,753)
Cash purchase price	$ 361,752

3. Revenue Recognition

We recognize revenue when the following criteria are met: 1) Contract with the customer has been identified; 2) Performance obligations in the contract have been identified; 3) Transaction price has been determined; 4) The transaction price has been allocated to the performance obligations; and 5) When (or as) performance obligations are satisfied.

Contracts with our customers are generally in the form of standard terms and conditions of sale. From time to time, we may enter into specific contracts with some of our larger customers, which may affect delivery terms. Performance obligations in

our contracts generally consist solely of delivery of goods. For all sales channel types, consisting of warehouse, direct, and reload sales, we typically satisfy our performance obligations upon shipment. Our customer payment terms are typical for our industry, and may vary by the type and location of our customer and the products or services offered. The term between invoicing and when payment is due is not deemed to be significant by us. For certain sales channels and/or products, our standard terms of payment may be as early as ten days.
In addition, we provide inventory to certain customers through pre-arranged agreements on a consignment basis. Customer consigned inventory is maintained and stored by certain customers; however, ownership and risk of loss remains with us. When the consigned inventory is sold by the customer, we recognize revenue, net of trade allowances.
All revenues recognized are net of trade allowances (i.e., rebates), cash discounts and sales returns. Cash discounts and sales returns are estimated using historical experience. Trade allowances are based on the estimated obligations and historical experience. Adjustments to earnings resulting from revisions to estimates on discounts and returns have been insignificant for each of the reported periods. Certain customers may receive cash-based incentives or credits, which are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to customers and reduce revenues recognized. We believe that there will not be significant changes to our estimates of variable consideration.
The following table presents our revenues disaggregated by revenue source. Sales and usage-based taxes are excluded from revenues.

	Fiscal Year Ended	
(In thousands)	**December 29, 2018**	**December 30, 2017**
Structural products	$1,286,119	$841,862
Specialty products	1,593,969	988,824
Other[1]	(17,238)	(15,151)
Total net sales	$2,862,850	$1,815,535

[1]"Other" includes unallocated allowances and discounts. Beginning in the third quarter of 2018 allowances and discounts are allocated to product categories where identifiable. Prior year numbers in the table have been updated for this presentation.
The following table presents our revenues disaggregated by sales channel. Sales and usage-based taxes are excluded from revenues.

	Fiscal Year Ended	
(In thousands)	**December 29, 2018**	**December 30, 2017**
Warehouse	$2,239,883	$1,366,241
Direct	526,900	354,278
Reload and service revenue	134,045	125,108
Cash discounts and rebates	(37,978)	(30,092)
Total net sales	$2,862,850	$1,815,535

Practical Expedients and Exemptions

We generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling, general, and administrative expense.

We have made an accounting policy election to treat any shipping and handling costs after control has transferred to the customer (primarily common carrier costs) as fulfillment costs, rather than as a separate obligation or separate promised service.

4. Goodwill and Other Intangible Assets

In connection with the acquisition of Cedar Creek, we acquired certain intangible assets. As of December 29, 2018, our intangible assets consist of goodwill and other intangible assets including customer relationships, noncompete agreements, trade names, and favorable leasehold interests.

Goodwill

Goodwill is the excess of the cost of an acquired entity over the fair value of tangible and intangible assets (including customer relationships, noncompete agreements, trade names and favorable lease interests) acquired and liabilities assumed under acquisition accounting for business combinations.

During the year ended December 29, 2018, we preliminarily allocated the fair values of assets acquired and liabilities assumed in the acquisition of Cedar Creek and recognized $47.8 million in goodwill.

Goodwill is not subject to amortization but must be tested for impairment at least annually. This test requires us to assign goodwill to a reporting unit and to determine if the implied fair value of the reporting unit's goodwill is less than its carrying amount. We evaluate goodwill for impairment during the fourth quarter of each fiscal year and no impairment was indicated for fiscal 2018. In addition, we will evaluate the carrying values of these assets for impairment between annual impairment tests if an event occurs or circumstances change that would indicate the carrying amounts may be impaired. Such events and indicators may include, without limitation, significant declines in the industries in which our products are used, significant changes in capital market conditions and significant changes in our market capitalization.

Definite-Lived Intangible Assets.

At December 29, 2018, in connection with the acquisition of Cedar Creek, we had definite-lived intangible assets that related to customer relationships, noncompete agreements, trade names, and favorable leasehold interests.

At December 29, 2018, the gross carrying amounts, the accumulated amortization and the net carrying amounts of our definite-lived intangible assets were as follows:

(In thousands)	Gross Carrying Amounts	Accumulated Amortization [2]	Net Carrying Amounts
Customer relationships	$25,500	$ (3,024)	$22,476
Noncompete agreements	8,254	(1,468)	6,786
Trade names	6,826	(1,619)	5,207
Favorable leasehold interests[1]	800	(47)	753
Total	$41,380	$ (6,158)	$35,222

[1] Amortized to rent expense

[2] Intangible assets except customer relationships are amortized on straight line basis. Customer relationships are amortized on a double declining balance method.

Amortization Expense

The weighted average estimated useful life remaining for customer relationships, noncompete agreements, trade names and favorable leasehold interest is approximately 11 years, 3 years, 2 years and 11 years respectively.

Amortization expense for the definite-lived intangible assets was $6.2 million for the year ended December 29, 2018, respectively. There were no amortization charges for the comparative periods of the prior year.

Estimated annual amortization expense for definite-lived intangible assets over the next five fiscal years is as follows:

(In thousands)	Estimated Amortization
2019	$ 8,152
2020	7,527
2021	5,035
2022	3,183
2023	1,873

5. Assets Held for Sale

In fiscal 2018, we designated certain non-operating properties as held for sale, due to strategic realignments of our business. At the time of designation, we ceased recognizing depreciation expense on these assets. As of December 29, 2018, seven properties were designated as held for sale, and as of December 30, 2017, two properties had been designated as held for sale. During the fiscal year ended December 29, 2018, in connection with the integration of Cedar Creek, one property designated as held for sale in fiscal 2017 was returned to operations. As of December 29, 2018, and December 30, 2017, the net book value of total assets held for sale was $3.1 million and $0.8 million, respectively, and was included in “Other current assets” in our Consolidated Balance Sheets. Properties held for sale as of December 29, 2018, consisted of land in Connecticut, and six warehouses located in the Midwest and Southeast. We plan to sell these properties within the next 12 months. We continue to actively market all properties that are designated as held for sale.

6. Cash Held in Escrow

Cash held in escrow is included in “Other current assets” and “Other non-current assets” on the accompanying Consolidated Balance Sheets.

The table below provides the balances of each individual component of cash held in escrow:

	December 29, 2018	**December 30, 2017**
	(In thousands)	
Cash in escrow		
Workers compensation insurance	$10,194	$ 8,074
Acquisition-related	6,009	—
Property taxes and insurance	—	2,904
Benefits-related	358	240
Total	$16,561	$ 11,218

7. Other Current Liabilities

The following table shows the components of other current liabilities:

	December 29, 2018	**December 30, 2017**
	(In thousands)	
Stock compensation liability awards	$7,286	$ 495
Property, sales, and other non-income taxes payable	4,909	3,226
Insurance reserves and retention	3,429	4,070
401(k) match	2,485	1,674
State income taxes payable	1,281	14
Accrued interest and other	5,595	1,293
Total	$24,985	$ 10,772

8. Income Taxes

Our (benefit from) provision for income taxes consisted of the following:

	Fiscal Year Ended December 29, 2018	Fiscal Year Ended December 30, 2017	Fiscal Year Ended December 31, 2016
	(In thousands)		
Federal income taxes:			
Current	$(99)	$(659)	$ 232
Deferred	(13,092)	(45,868)	—
State income taxes:			
Current	3,786	1,054	962
Deferred	(2,749)	(7,985)	—
Foreign income taxes:			
Current	—	49	(70)
Deferred	—	—	(3)
(Benefit from) provision for income taxes	$(12,154)	$(53,409)	$ 1,121

The federal statutory income tax rate was 21%. Our (benefit from) provision for income taxes is reconciled to the federal statutory amount as follows:

	Fiscal Year Ended December 29, 2018	Fiscal Year Ended December 30, 2017	Fiscal Year Ended December 31, 2016
	(In thousands)		
Expense (benefit) from income taxes computed at the federal statutory tax rate	$(12,643)	$3,355	$ 6,022
Expense (benefit) from state income taxes, net of federal benefit	(2,498)	253	595
Valuation allowance change	1,974	(87,137)	(6,319)
Transaction costs	1,327	—	—
Nondeductible executive compensation	936	280	132
Share-based compensation - excess tax benefit	(1,494)	(47)	—
Other nondeductible items	344	431	271
Uncertain tax positions	(951)	—	—
Tax rate change used to measure deferred taxes	681	—	—
Alternative minimum tax	—	—	232
Tax Cuts and Jobs Act of 2017	—	29,387	—
Other	170	69	188
(Benefit from) provision for income taxes	$(12,154)	$(53,409)	$ 1,121

The change in valuation allowance is exclusive of items that do not impact income from continuing operations, but are reflected in the balance sheet change in deferred income tax assets and liabilities as disclosed in the components of net deferred income tax assets table below.

In accordance with the intraperiod tax allocation provisions of U.S. GAAP, we are required to consider all items (including items recorded in other comprehensive income) in determining the amount of tax expense or benefit that should be allocated between continuing operations and other comprehensive income. In fiscal 2018, there was no intraperiod tax allocation since there was a loss in continuing operations along with a loss in other comprehensive income for that period. In fiscal 2017, there was no intraperiod tax allocation since there was income from continuing operations and income in other comprehensive income. In fiscal 2016, there was no intraperiod tax allocation because there were sufficient loss carryforwards to offset income from continuing operations. While the income tax provision from continuing operations is reported in our Consolidated Statements of Operations and Comprehensive Income

(Loss), the income tax expense on other comprehensive income is recorded directly to accumulated other comprehensive loss, which is a component of stockholders' equity (deficit).

On December 22, 2017, the U.S. government enacted tax legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Tax Act provides for significant changes to tax law for tax years beginning after December 31, 2017, including, but not limited to, the reduction of the U.S. federal corporate income tax rate from 35% to 21%, repeal of the corporate alternative minimum tax ("AMT"), and additional limitations on the deductibility of interest expense and executive compensation. The reduction in the federal corporate income tax rate from 35% to 21% resulted in a reduction in our deferred tax asset of $28.8 million with an offsetting adjustment to the valuation allowance of $28.6 million resulting in deferred income tax expense of $0.2 million in fiscal 2017. Furthermore, the Tax Act repealed the AMT and provided that taxpayers with AMT credit carryovers in excess of their regular tax liability may have the credits refunded over a period from 2018 - 2021. As a result, we released our valuation allowance on AMT credits due to the Tax Act of $0.8 million, and recorded a corresponding deferred income tax benefit. In addition, we reclassified our AMT credit carryforward of $0.8 million to a non-current receivable.

On December 22, 2017, Staff Accounting Bulletin No. 118 was issued by the Securities and Exchange Commission, which allows companies to record provisional amounts to reflect the income tax effects for the Tax Act during a measurement period that does not extend beyond one year from the enactment date. No additional changes were recorded to tax expense for executive compensation or any other deferred tax asset during fiscal 2018.

Our financial statements contain certain deferred tax assets which primarily resulted from tax benefits associated with the loss before income taxes in prior years, as well as net deferred income tax assets resulting from other temporary differences related to certain reserves, pension obligations, and differences between book and tax depreciation and amortization. We record a valuation allowance against our net deferred tax assets when we determine that, based on the weight of available evidence, it is more likely than not that our net deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences can be carried under tax law.

In our evaluation of the weight of available evidence at the end of fiscal 2018, we considered the recent reported loss generated in the current year and income generated in the prior two fiscal years, including the prior year income from Cedar Creek, which resulted in a three-year cumulative income situation as positive evidence which carried substantial weight. While this was substantial, it was not the only evidence we evaluated. We also considered evidence related to the four sources of taxable income, to determine whether such positive evidence outweighed the negative evidence. The evidence considered included:

- future reversals of existing taxable temporary differences;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- taxable income in prior carryback years, if carryback is permitted under the tax law; and
- tax planning strategies.

At the end of fiscal 2018 and 2017, we concluded that the weight of the positive evidence outweighed the negative evidence. In addition to the positive evidence discussed above, we considered as positive evidence forecasted future taxable income and the evidence from business and tax planning strategies described below. Further positive evidence that occurred during the fourth quarter of 2017 was the refinancing of our revolving credit facility to a new five-year period with more favorable terms, the positive market reaction to our former majority shareholder's underwritten secondary offering to sell its shares of our common stock, and the continued improvement of projected housing starts. As a result, we recorded a partial release of our valuation allowance of $53.5 million during the fourth quarter of 2017. The remaining valuation allowance of $12.3 million as of fiscal 2018 was primarily related to separate company state net operating loss carryforwards. Although we believe our estimates are reasonable, the ultimate determination of the appropriate amount of valuation allowance involves significant judgments. We believe that the change in control under Internal Revenue Code Section 382, resulting from the completion of the secondary offering on October 23, 2017 (as described above), will not cause any of our federal net operating losses to expire unused as management has

been effectively implementing a real estate strategy involving sales and leaseback of real estate that is further supported by the sale-leaseback of four warehouses in January 2018 (See Note 15 for more detail). Additionally, the acquisition of Cedar Creek did not generate any limitations under Section 382 on Cedar Creek's tax assets.

The components of our net deferred income tax assets are as follows:

	December 29, 2018	December 30, 2017
	(In thousands)	
Deferred income tax assets:		
Inventory reserves	$2,826	$1,654
Compensation-related accruals	4,717	3,692
Accruals and reserves	339	72
Accounts receivable	586	443
Interest expense limitation	3,169	—
Property and equipment	21,547	4,614
Pension	8,031	7,011
Benefit from NOL carryovers [1]	32,325	46,873
Other	418	285
Total gross deferred income tax assets	73,958	64,644
Less: valuation allowances	(12,348)	(10,415)
Total net deferred income tax assets	61,610	54,229
Deferred income tax liabilities:		
Intangible assets	(8,665)	—
Other	(300)	(376)
Total deferred income tax liabilities	(8,965)	(376)
Deferred income tax asset, net	$52,645	$53,853

(1) Our federal NOL carryovers are $90.9 million and will expire in 12 to 17 years. Our state NOL carryovers are $249.3 million and will expire in 1 to 20 years.

Activity in our deferred tax asset valuation allowance for fiscal 2018 and 2017 was as follows:

	Fiscal Year Ended December 29, 2018	Fiscal Year Ended December 30, 2017
	(In thousands)	
Balance as of beginning of the year	$10,415	$97,552
Valuation allowance provided for taxes related to:		
Loss (income) before income taxes	1,933	(4,300)
Tax Cuts and Jobs Act of 2017	—	(29,387)
Release of valuation allowance	—	(53,450)
Balance as of end of the year	$12,348	$10,415

We have recorded income tax and related interest liabilities where we believe certain of our tax positions are not more likely than not to be sustained if challenged. The following table summarizes the activity related to our gross unrecognized tax benefits:

(In thousands)	2018	2017	2016
Balance at beginning of fiscal year	$184	$184	$184
Additions for tax positions in prior years	6,663	—	—
Reductions due to lapse of applicable statute of limitations	(1,004)	—	—
Balance at end of fiscal year	$5,843	$184	$184

Included in the unrecognized tax benefits as of December 29, 2018, and December 30, 2017, were $5.5 million and $0.2 million, respectively, of tax benefits that, if recognized, would reduce our annual effective tax rate. We also accrued interest related to these unrecognized tax benefits of $0.9 million during fiscal 2018, of which $0.3 million of this amount is reported in “Interest expense” in our Consolidated Statements of Operations and Comprehensive Income

(Loss). The remaining $0.6

million of interest, as well as the gross addition for tax positions in prior years of $6.7 million disclosed above in the tabular reconciliation, were recorded through goodwill as part of the purchase accounting for the acquisition of Cedar Creek. No interest was accrued in fiscal 2017 and no penalties were accrued for either fiscal 2018 or 2017. We believe that it is reasonably possible that approximately $1.1 million of our remaining unrecognized tax benefit may be recognized by the end of fiscal 2019 as a result of a lapse of statute of limitations.
We file U.S., state, and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2015 through 2018 tax years generally remain subject to examination by federal and most state and foreign tax authorities.

9. Long-Term Debt

As of December 29, 2018 and December 30, 2017, long-term debt consisted of the following:

(In thousands)	Maturity Date	December 29, 2018	December 30, 2017
Revolving Credit Facility (net of discounts and debt issuance costs of $6.0 million and $3.1 million at December 29, 2018 and December 30, 2017, respectively)	October 10, 2022	$ 327,319	$ 179,569
Mortgage Note Payable (net of discounts and debt issuance costs of $0.8 million at December 30, 2017)		—	97,108
Term Loan Facility (net of discounts and debt issuance costs of $6.7 million at December 29, 2018)	October 13, 2023	172,356	—
Total debt		499,675	276,677
Less: current portion of long-term debt		(1,736)	—
Long-term debt, net		$ 497,939	$ 276,677

Revolving Credit Facility

On April 13, 2018, in connection with the acquisition Cedar Creek, we entered into an Amended and Restated Credit Agreement, with certain of our subsidiaries as borrowers (together with us, the “Borrowers”) or guarantors thereunder, Wells Fargo Bank, National Association, in its capacity as administrative agent (“Wells Fargo”), and certain other financial institutions party thereto (the “Revolving Credit Agreement”). The Revolving Credit Agreement provides for a senior secured asset-based revolving loan and letter of credit facility (the “Revolving Credit Facility”) of up to $600 million and an uncommitted accordion feature that permits the Borrowers, with consent of the lenders, to increase the facility by an aggregate additional principal amount of up to $150 million, which will allow borrowings of up to $750 million under the Revolving Credit Facility. Letters of credit in an aggregate amount of up to $30 million are also available under the Revolving Credit Agreement, which would reduce the amount of the revolving loans available under the Revolving Credit Facility. The maturity date of the Revolving Credit Agreement is October 10, 2022. The Revolving Credit Agreement amended and restated the Borrowers’ existing $335 million secured revolving credit facility, dated October 10, 2017. The proceeds from the Revolving Credit Facility were used to repay outstanding obligations under the Borrowers’ existing revolving credit facility, to fund a portion of the cash consideration payable in connection with the acquisition of Cedar Creek, to fund transaction costs in connection with the acquisition and the amendment of the Revolving Credit Facility, to provide working capital and for other general corporate purposes.
In connection with the execution and delivery of the Revolving Credit Agreement, we also entered into, with certain of our subsidiaries, a Guaranty and Security Agreement with Wells Fargo (the “Revolving Guaranty and Security Agreement”). Pursuant to the Revolving Guaranty and Security Agreement, the Borrowers’ obligations under the Revolving Credit Agreement are secured by a security interest in substantially all of our and our subsidiaries’ assets (other than real property), including inventories, accounts receivable, and proceeds from those items.
Borrowings under the Revolving Credit Agreement will be subject to availability under the Borrowing Base (as that term is defined in the Revolving Credit Agreement). The Borrowers will be required to repay revolving loans thereunder to the extent that such revolving loans exceed the Borrowing Base then in effect. The Revolving Credit Facility may be prepaid in whole or in part from time to time without penalty or premium, but including all breakage costs incurred by any lender thereunder.
The Revolving Credit Agreement provides for interest on the loans at a rate per annum equal to (i) LIBOR plus a margin ranging from 1.75 percent to 2.25 percent, with the amount of such margin determined based upon the average

of the Borrowers' excess availability for the immediately preceding fiscal quarter as calculated by the administrative agent, for loans based on LIBOR, or (ii) the administrative agent's base rate plus a margin ranging from 0.75 percent to 1.25 percent, with the

amount of such margin determined based upon the average of the Borrowers' excess availability for the immediately preceding fiscal quarter as calculated by the administrative agent, for loans based on the base rate.
In the event excess availability falls below the greater of (i) $50 million and (ii) 10 percent of the lesser of (a) the Borrowing Base; and (b) the maximum permitted credit at such time, the Revolving Credit Agreement requires maintenance of a fixed charge coverage ratio of 1.0 to 1.0 until such time as the Borrowers' excess availability has been at least the greater of (i) $50 million and (ii) 10 percent of the lesser of (a) the Borrowing Base; and (b) the maximum permitted credit at such time for a period of 30 consecutive days.
The Revolving Credit Agreement also contains representations and warranties and affirmative and negative covenants customary for financings of this type as well as customary events of default.
As of December 29, 2018, we had outstanding borrowings of $333.3 million, excess availability of $91.7 million, and a weighted average interest rate of 4.6% under our Revolving Credit Facility. As of December 30, 2017, prior to the acquisition of Cedar Creek, we had outstanding borrowings of $182.7 million, excess availability of $63.3 million and a weighted average interest rate of 4.2%.
We were in compliance with all covenants under the Revolving Credit Agreement as of December 29, 2018.
Term Loan Facility
On April 13, 2018, in connection with the acquisition of Cedar Creek, we entered into a new Credit and Guaranty Agreement (the "Term Loan Agreement") by and among the Company, as borrower, certain of our subsidiaries, as guarantors, HPS Investment Partners, LLC, as administrative agent and collateral agent ("HPS") and certain other financial institutions as parties thereto. The Term Loan Agreement provides for a senior secured term loan facility in an aggregate principal amount of $180 million (the "Term Loan Facility"). The maturity date of the Term Loan Agreement is October 13, 2023. The proceeds from the Term Loan Facility were used to fund a portion of the cash consideration payable in connection with the acquisition of Cedar Creek and to fund transaction costs in connection with the acquisition and the Term Loan Facility.
In connection with the execution and delivery of the Term Loan Agreement, the Company and certain of our subsidiaries also entered into a Pledge and Security Agreement with HPS (the "Term Loan Security Agreement"). Pursuant to the Term Loan Security Agreement and other "Collateral Documents" (as such term is defined in the Term Loan Agreement), the obligations under the Term Loan Agreement are secured by a security interest in substantially all of our and our subsidiaries' assets, including inventories, accounts receivable, real property, and proceeds from those items.
The Term Loan Agreement requires monthly interest payments, and quarterly principal payments of $450,000, in arrears. The Term Loan Agreement also requires certain mandatory prepayments of outstanding loans, subject to certain exceptions, including prepayments commencing with the fiscal year ending December 28, 2019, based on a percentage of excess cash flow (as defined in the Term Loan Agreement for such fiscal year). The remaining balance is due on the loan maturity date of October 13, 2023.
The Term Loan Facility may be prepaid in whole or in part from time to time after the first anniversary thereof, subject to payment of the "Prepayment Premium" (as such term is defined in the Term Loan Agreement) if such voluntary prepayment does not otherwise constitute an exception to the Prepayment Premium under the Term Loan Agreement and is made prior to the fourth anniversary of the closing date of the Term Loan Agreement, and all breakage costs incurred by any lender thereunder.
Borrowings under the Term Loan Agreement may be made as Base Rate Loans or Eurodollar Rate Loans. The Base Rate Loans will bear interest at the rate per annual equal to (i) the greatest of the (a) U.S. prime lending rate published in The Wall Street Journal, (b) the Federal Funds Effective Rate plus 0.50 percent, and (c) the sum of the Adjusted Eurodollar Rate of one month plus 1.00 percent, provided that the Base Rate shall at no time be less than 2.00 percent per annum; and (ii) plus the Applicable Margin, as described below. Eurodollar Rate Loans will bear interest at the rate per annum equal to (i) the ICE Benchmark Administration LIBOR Rate, provided that the Adjusted Eurodollar Rate shall at no time be less than 1.00 percent per annum; plus (ii) the Applicable Margin. The Applicable Margin will be 6.00 percent with respect to Base Rate Loans and 7.00 percent with respect to Eurodollar Rate Loans.
The Term Loan Agreement requires maintenance of a total net leverage ratio of 6.75 to 1.00 for the quarter ending December 29, 2018, and such required covenant level reduces over the term of the Term Loan Facility as set forth in

the Term Loan Agreement.

The Term Loan Agreement also contains representations, warranties, affirmative and negative covenants customary for financing transactions of this type, and customary events of default.

As of December 29, 2018, we had outstanding borrowings of $179.1 million under our Term Loan Credit Facility and a stated interest rate of 9.3% per annum. At December 30, 2017, there were no outstanding borrowings under our Term Loan Credit Facility.

We were in compliance with all covenants under the Term Loan Agreement as of December 29, 2018.

Our remaining principal payment schedule for each of the next five years is as follows:

	(In thousands)
2019	$ 1,800
2020	2,250
2021	1,800
2022	1,800
2023	171,450

2006 Commercial Mortgage-Backed Securities ("CMBS") Mortgage Loan

Our 2006 CMBS mortgage loan, which was paid in full in January 2018, was secured by substantially all of the Company's owned distribution facilities and a first priority pledge of the equity in the Company's subsidiaries which held the real property that secured the mortgage loan.

10. Fair Value Measurements

We determine a fair value measurement based on the assumptions a market participant would use in pricing an asset or liability, in accordance with Accounting Standards Codification ("ASC") 820 - Fair Value Measurement ("ASC 820"). The fair value measurement guidance established a three level hierarchy making a distinction between market participant assumptions based on (i) unadjusted quoted prices for identical assets or liabilities in an active market (Level 1), (ii) quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability (Level 2), and (iii) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (Level 3).

Fair value measurements for defined benefit pension plan

The fair value hierarchy discussed above not only is applicable to assets and liabilities that are included in our consolidated balance sheets, but also is applied to certain other assets that indirectly impact our consolidated financial statements. For example, we sponsor and contribute to a single-employer defined benefit pension plan (see Note 11). Assets contributed by us become the property of the pension plan. Even though the Company no longer has control over these assets, we are indirectly impacted by subsequent fair value adjustments to these assets. The actual return on these assets impacts our future net periodic benefit cost, as well as amounts recognized in our consolidated balance sheets. The Company uses the fair value hierarchy to measure the fair value of assets held by our pension plan. We believe the pension plan asset fair value valuation to comprise Level 2 in the fair value hierarchy. Level 2 assets held in the pension plan under GAAP consist of collective investment trust assets.

Fair value measurements for financial instruments

Carrying amounts for our financial instruments are not significantly different from their fair value.

11. Employee Benefits

Single-Employer Defined Benefit Pension Plan

We sponsor a noncontributory defined benefit pension plan administered solely by us (the "pension plan"). Most of the participants in the plan are inactive, with the majority of the remaining active participants no longer accruing benefits, and the plan is closed to new entrants. Our funding policy for the pension plan is based on actuarial calculations and the applicable requirements of federal law. Benefits under the pension plan primarily are related to years of service.

The following tables set forth the change in projected benefit obligation and the change in plan assets for the pension plan:

	December 29, 2018	December 30, 2017
	(In thousands)	
Change in projected benefit obligation:		
Projected benefit obligation at beginning of period	$118,812	$113,436
Service cost	534	633
Interest cost	3,853	4,663
Actuarial (gain) loss	(9,732)	5,808
Curtailment gain	—	(310)
Benefits paid	(5,558)	(5,418)
Projected benefit obligation at end of period	107,909	118,812
Change in plan assets:		
Fair value of assets at beginning of period	88,452	79,087
Actual (loss) return on plan assets	(6,321)	11,109
Employer contributions	4,668	3,674
Benefits paid	(5,558)	(5,418)
Fair value of assets at end of period	81,241	88,452
Net unfunded status of plan	$(26,668)	$(30,360)

We recognize the unfunded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of our pension plan in our Consolidated Balance Sheets, with a corresponding adjustment to AOCI, net of tax. On December 29, 2018, we measured the fair value of our plan assets and benefit obligations. As of December 29, 2018, and December 30, 2017, the net unfunded status of our benefit plan was $26.7 million and $30.4 million, respectively.

Historically, we estimated the service and interest cost components utilizing a single-weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. At the end of fiscal 2017, we changed the approach we use to determine the service and interest components of net periodic pension cost for our pension plan. This change was effective for pension (income)/expense recognized during fiscal 2018 and future fiscal years. We have elected to utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in determination of the benefit obligation to the relevant projected cash flows. We have made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. This change does not affect the measurement of our total benefit obligations.

Actuarial gains and losses occur when actual experience differs from the estimates used to determine the components of net periodic pension cost, and when certain assumptions used to determine the fair value of the plan assets or projected benefit obligation are updated, including but not limited to, changes in the discount rate, plan amendments, differences between actual and expected returns on plan assets, mortality assumptions, and plan re-measurement.

We amortize a portion of unrecognized actuarial gains and losses for the pension plan into our Consolidated Statements of Operations and Comprehensive Income (Loss). The amount recognized in the current year's operations is based on amortizing the unrecognized gains or losses for the pension plan that exceed the larger of 10% of the projected benefit obligation or the fair value of plan assets, also known as the corridor. In the current fiscal year, the amount representing the unrecognized gain or loss that exceeds the corridor is amortized over the estimated average remaining life expectancy of participants, as almost all the participants in the plan are inactive.

The net adjustment to other comprehensive income (loss) for fiscal 2018, fiscal 2017, and fiscal 2016 was a $0.6 million loss, $0.1 million gain, and a $2.1 million loss, respectively, primarily from the net recognized and unrecognized actuarial gain (loss) for those fiscal periods.

The decrease in the unfunded obligation for the fiscal year was approximately $3.7 million and was comprised of $9.7 million of actuarial gains, $6.3 million of investment losses including an asset gain, $4.7 million of pension

contributions, and a charge of $4.4 million due to current year service and interest cost. The net periodic pension cost increased to $0.2 million in fiscal 2018, from a credit of $0.2 million in fiscal 2017, driven primarily by a reduction in investment returns.

In fiscal 2017, a freeze of certain unionized participants in the pension plan due to renegotiation of union contracts resulted in a reduction in future years of service for the remaining active participants in the plan, which triggered a curtailment. As a

result, there was an immaterial curtailment gain from the event which resulted in an immaterial decrease to the projected benefit obligation in fiscal 2017.

The unfunded status recorded as Pension Benefit Obligation on our Consolidated Balance Sheets for the pension plan is set forth in the following table, along with the unrecognized actuarial loss, which is presented as part of Accumulated Other Comprehensive Loss:

	December 29, 2018	December 30, 2017
	(In thousands)	
Unfunded status	$(26,668)	$(30,360)
Unrecognized prior service cost	—	—
Unrecognized actuarial loss	34,699	33,884
Net amount recognized	$8,031	$3,524
Amounts recognized on the balance sheet consist of:		
Accrued pension liability	$(26,668)	$(30,360)
Accumulated other comprehensive loss (pre-tax)	34,699	33,884
Net amount recognized	$8,031	$3,524

The portion of estimated net loss for the pension plan that is expected to be amortized from accumulated other comprehensive loss into net periodic cost over the next fiscal year is approximately $1.0 million.

The accumulated benefit obligation for the pension plan was $107.4 million and $118.2 million at December 29, 2018, and December 30, 2017, respectively.

Net periodic pension cost (credit) for the pension plan included the following:

	Fiscal Year Ended December 29, 2018	Fiscal Year Ended December 30, 2017	Fiscal Year Ended December 31, 2016
	(In thousands)		
Service cost	$534	$ 633	$ 996
Interest cost on projected benefit obligation	3,853	4,663	4,901
Expected return on plan assets	(5,309)	(6,538)	(6,224)
Amortization of unrecognized loss	1,084	1,056	1,126
Net periodic pension cost (credit)	$162	$ (186)	$ 799

The following assumptions were used to determine the projected benefit obligation at the measurement date and the net periodic pension cost:

	December 29, 2018	December 30, 2017
Projected benefit obligation:		
Discount rate	4.37 %	3.69 %
Average rate of increase in future compensation levels	Graded 5.5-2.5%	Graded 5.5-2.5%
Net periodic pension cost:		
Discount rate	3.69 %	4.26 %
Average rate of increase in future compensation levels	Graded 5.5-2.5%	Graded 5.5-2.5%
Expected long-term rate of return on plan assets	6.00 %	8.10 %

Our estimates of the amount and timing of our future funding obligations for our defined benefit pension plan are based upon various assumptions specified above. These assumptions include, but are not limited to, the discount rate, projected return on plan assets, and mortality rates. The rate of increase in future compensation levels has a minimal effect on both the projected benefit obligation and net periodic pension cost, as almost all the participants in the plan are inactive, the majority of the remaining active participants are no longer accruing benefits, and the plan is closed to

new entrants.

Projected return on plan assets. Historically, pension plan assets were managed under an investment strategy comprising two major components: equities, to generate long-term growth; and fixed income securities, to provide current income and stable periodic returns. As also discussed below, during fiscal 2017, the pension plan's Investment Committee conducted a broad strategic review of portfolio construction and investment allocation policies for the pension plan. Pension plan assets are now managed under a new balanced portfolio allocation policy comprised of two major components: a return-seeking portion and a liability-matching portion. The expected role of return-seeking investments is to achieve a reasonable long-term growth of pension assets with a prudent level of risk, while the role of liability-matching investments is to provide a partial hedge against liability performance associated with changes in interest rates. The objective within return-seeking investments is to achieve asset diversity in order to balance return and volatility.
The discount rate. Historically, we estimated the service and interest cost components utilizing a single-weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. At the end of fiscal 2017, we changed our approach, and elected to utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in determination of the benefit obligation to the relevant projected cash flows. We have made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates.
Mortality rates. The valuations and assumptions reflect adoption of the Society of Actuaries updated RP-2014 mortality tables, with a "blue collar employee" adjustment for non-annuitants and a BlueLinx custom adjustment for annuitants. Additionally, we use the most current generational projection scales, which were MP-2018 as of December 30, 2018 and MP-2017 as of December 31, 2017.

Plan Assets and Long-Term Rate of Return

Fiscal 2018

We base the asset return assumption on current and expected asset allocations, as well as historical and expected returns on the plan asset categories. The allocation of the plan's assets impacts our expected return on plan assets. The expected return on plan assets is based on a targeted allocation consisting of return-seeking securities (including public equity, real assets and diversified credit investment strategies), liability-matching securities (fixed income), and cash and cash equivalents. Our net benefit cost increases as the expected return on plan assets decreases. We believe that our actual long-term asset allocations on average will approximate our targeted allocation. Our targeted allocation is driven by our investment strategy to earn a reasonable rate of return while maintaining risk at acceptable levels through the diversification of investments across and within various asset categories. For fiscal 2018, we used a 6.00% expected return on plan assets.
During fiscal 2017, the pension plan's Investment Committee conducted a broad strategic review of portfolio construction and investment allocation policies for the pension plan. Pension assets are now managed under a new balanced portfolio allocation policy comprised of two major components: a return-seeking portion and a liability-matching portion. The expected role of return-seeking investments is to achieve a reasonable long-term growth of pension assets with a prudent level of risk, while the role of liability-matching investments is to provide a partial hedge against liability performance associated with changes in interest rates. The objective within return-seeking investments is to achieve asset diversity in order to balance return and volatility.
The investment policy for the pension plan, in general, is to achieve a reasonable long-term rate of return on plan assets with an acceptable level of risk in order to maintain adequate funding levels. The pension plan's Investment Committee establishes risk mitigation policies and regularly monitors investment performance and investment allocation policies, with a third party investment advisor executing on these strategies.
The current targets, adjusted to exclude non-GAAP BlueLinx real-estate holdings, and actual investment allocation, by asset category as of December 30, 2018, consisted of the following:

	Current Target Allocation	Actual Allocation, December 29, 2018
Return-seeking securities	70 %	69 %

Liability-matching securities	28	%	30	%
Cash and cash equivalents	2	%	1	%
Total	100	%	100	%