

HUTTIG BUILDING PRODUCTS INC
Form 10-K
March 02, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

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

For the transition period from to

Commission file number 1-14982

HUTTIG BUILDING PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation
or organization)

43-0334550
(I.R.S.
Employer

Identification
No.)

555 Maryville University Drive

Suite 400

St. Louis, Missouri 63141

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(Address of principal executive offices, including zip code)

(314) 216-2600

(Registrant's telephone number, including area code)

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

Title of Class	Name of Exchange on which Registered
Common, par value \$0.01 per share	The NASDAQ Market LLC

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

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

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes No

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of the last business day of the quarter ended June 30, 2016 was approximately \$120 million. For purposes of this calculation only, the registrant has excluded stock beneficially owned by the registrants' directors and officers. By doing so, the registrant does not admit that such persons are affiliates within the meaning of Rule 405 under the Securities Act of 1933 or for any other purposes.

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The number of shares of Common Stock outstanding on February 15, 2017 was 26,297,215 shares.

DOCUMENTS INCORPORATED HEREIN BY REFERENCE.

Parts of the registrant's definitive proxy statement for the 2017 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

PART I

ITEM 1—BUSINESS

General

Huttig Building Products, Inc., a Delaware corporation incorporated in 1913, was founded in 1885 and is a leading domestic distributor of millwork, building materials and wood products used principally in new residential construction and in home improvement, remodeling and repair work. We purchase from leading manufacturers and distribute our products through 27 wholesale distribution centers serving 41 states. Our distribution centers sell principally to building materials dealers, national buying groups, home centers and industrial users, including makers of manufactured homes. For the year ended December 31, 2016, we generated net sales of \$713.9 million.

We conduct our business through a two-step distribution model. This means we resell the products we purchase from manufacturers to our customers, who then sell the products to the final end users, who are typically professional builders and independent contractors engaged in residential construction and remodeling projects, or consumers engaged in do-it-yourself remodeling projects.

Our products fall into three categories: (i) millwork, which includes doors, windows, moulding, stair parts and columns, (ii) general building products, which include connectors, fasteners, composite decking, housewrap, roofing products and insulation, and (iii) wood products, which include engineered wood products used in flooring systems, wood panels and lumber.

Doors and engineered wood products often require our value added service before they are delivered to our customer. Such services include prefinishing exterior door units, pre-hanging exterior and interior door units and cutting engineered wood products from standard lengths to job-specific requirements. In addition, with respect to the majority of our products, we have the capability to buy in bulk and disaggregate these large shipments to meet individual customer stocking requirements. For some products, we carry a depth and breadth of products that our customers and vendors cannot reasonably stock themselves. Likewise, our vendors benefit from our broad geographic footprint of distribution centers that expand the breadth and depth of the products they carry. Many of the value-add services we provide are highly customized and cannot be provided effectively by our vendors. In addition, our sales force extends our vendors effective coverage area and knowledge of regional trends. Our customers benefit from our business capabilities because they do not need to invest capital in door hanging facilities or cutting equipment, nor do they need to incur the costs associated with maintaining large inventories of products. Our size, broad geographic presence, extensive fleet and logistical capabilities enable us to purchase products in large volumes at favorable prices, stock a wide range of products for rapid delivery and manage inventory in a reliable, efficient manner.

We serve our customers, whether they are a local dealer or a national account, through our 27 wholesale distribution centers. Our broad geographic footprint enables us to work with our customers and suppliers to ensure that local inventory levels, merchandising, purchasing and pricing are tailored to the requirements of each market. Each distribution center also has access to our single-platform nationwide inventory management system. This provides the local manager with real-time inventory availability and pricing information. We support our distribution centers with credit and financial management, training and marketing programs and human resources expertise. We believe that these distribution capabilities and efficiencies offer us a competitive advantage that allows us to deliver quality products, in a timely manner and ensures the efficient operation of our customers and vendors' supply chain, as

compared to those of many local and regional competitors.

In this Annual Report on Form 10-K (this “Annual Report”), when we refer to “Huttig,” the “Company,” “we” or “us,” we mean Huttig Building Products, Inc. and its subsidiary and predecessors unless the context indicates otherwise.

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Industry Characteristics and Trends

The residential building materials distribution industry is characterized by its substantial size, a highly fragmented ownership structure and an increasingly competitive environment. The industry serves two market categories: (i) new construction and (ii) home repair and remodeling.

Residential construction activity in both categories is closely linked to a variety of factors directly affected by general economic conditions, including employment levels, job and household formation, interest rates, housing prices, housing inventory, tax policy, availability of mortgage financing, prices of commodity wood and steel products, immigration patterns, regional demographics and consumer confidence. We monitor a broad set of macroeconomic and regional indicators, including new housing starts and permit issuances, as indicators of our potential future sales volume.

New housing activity in the United States has shown modest improvement each year since 2009, the trough period of the recent housing downturn. However, 2016 activity was still below the historical average of total housing starts from 1959 to 2016 of approximately 1.4 million starts based on statistics tracked by the U.S. Census Bureau (“Historical Average”). Total new housing starts in the United States were approximately 1.2 million, 1.1 million and 1.0 million in 2016, 2015 and 2014, respectively. Single family starts were 0.8 million, 0.7 million and 0.6 million in 2016, 2015 and 2014, respectively, based on data from the U.S. Census Bureau. According to the U.S. Census Bureau, total spending on new single family residential construction was \$243 billion, \$233 billion and \$194 billion in 2016, 2015 and 2014, respectively.

We service large local, regional and national independent building products dealers, specialty dealers, and home centers who in turn sell to contractors, professional builders, and consumers. These large local, regional and national building products dealers, often referred to as “pro dealers,” continue to distribute a significant portion of the residential building materials sold in the United States. These pro dealers operate in an increasingly competitive environment. Consolidation among building products manufacturers favors distributors that can buy in bulk and break down large production runs to specific local requirements. In addition, increasing scale and sophistication among professional builders and contractors places a premium on pro dealers that can make a wide variety of building products readily available at competitive prices. In response to the increasingly competitive environment for building products, many pro dealers have either consolidated or formed buying groups in order to increase their purchasing power and/or service levels.

We service the national home centers through special order programs of branded products in both millwork and building products. These programs continue to grow each year, as manufacturers develop special order programs through these retailers and utilize our value added service model and broad distribution network to support these programs locally.

We believe the evolving characteristics of the residential building materials distribution industry, particularly the consolidation trend, favor companies like us that operate nationally and have significant infrastructure in place to accommodate the needs of customers across geographic regions. We believe we are the only national distributor of millwork products. Our wide geographic presence, size, purchasing power, material handling efficiencies and investment in millwork services, position us well to serve the needs of the consolidating pro dealer community.

Products

Our goal is to offer products that allow us to provide value to our customers. We do this by performing incremental services on the products before delivering them to customers, buying products in bulk and disaggregating them for individual customers or carrying a broader depth and breadth of products that customers cannot reasonably stock themselves at each location. Our products can be classified into three main categories:

- Millwork, including exterior and interior doors, pre-hung and pre-finished door units, windows, patio doors, mouldings, frames, stair parts and columns. Key brands in this product category include Therma-Tru, Masonite, Woodgrain Doors, HB&G, Simpson Door, Windsor Windows, and Rogue Valley Door;
- General building products, such as connectors and fasteners, roofing, siding, insulation, flashing, housewrap, decking, railings, drywall, kitchen cabinets and other miscellaneous building products. Key brands in this product category include Huttig-Grip, Louisiana Pacific, Simpson Strong-Tie, Timbertech, AZEK, BP Roofing, Grace, Fiberon, RDI, Owens Corning, Alpha Protech, and Maibec; and
- Wood products, including engineered wood used in floor systems, wood panels and lumber . The engineered wood product line offers us the ability to provide our customers with value-added services, such as floor system take-offs, cut-to-length packages and just-in-time, cross-dock delivery capabilities and as such, this product is our primary focus within this category.

The following table shows the percentage of our net sales represented by our three main product categories sold during each of the prior three years. While the table below generally indicates the mix of our sales by product category, changes in the prices of commodity wood products and in unit volumes sold could affect our product mix on a year-to-year basis.

	2016	2015	2014
Millwork	51 %	49 %	49 %
Building Products	39 %	40 %	39 %
Wood Products	10 %	11 %	12 %

Customers

During 2016, we served approximately 3,500 customers, with one customer, Lumbermen’s Merchandising Corporation (“LMC”) - accounting for 14% of our sales in 2016, 13% in 2015 and 12% in 2014. LMC is a buying group representing multiple building material dealers. Our top 10 customers accounted for approximately 43% of our total sales in 2016.

Building materials pro dealers represent our single largest customer group. Within the pro dealer category, a large percentage of our sales are to national accounts, including buying groups. These are large pro dealers, or groups of pro dealers, that generally operate in more than one state or region. We also sell to short line specialty dealers that focus on specific segments of the building industry, national retail home centers, and manufactured housing. We believe that our size, which lets us purchase in bulk, achieve operating efficiencies, operate on a national scale and offer competitive pricing, makes us well suited to service the various segments of the dealer community. Our sales to national accounts, including buying groups, were 45% of our total sales in 2016, 43% in 2015 and 42% in 2014.

Organization

Huttig operates on a nationwide basis. Customer sales are conducted through 27 distribution centers serving 41 states. Administrative and executive management functions are centralized at our headquarters office located in St. Louis,

Missouri. We believe that this structure permits us to be closer to our customers and serve them better, while being able to take advantage of certain efficiencies of scale that come from our size.

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Headquarter functions include those activities that can be shared across our full distribution platform. These include financial management, information technology, human resources, legal, internal audit and treasury along with small corporate operations, marketing and product management groups.

Operating responsibility resides with each distribution center's general manager. The general manager assumes responsibility for daily operations, including sales, purchasing, personnel and logistics. Each distribution center generally maintains its own sales, warehouse and logistic personnel supported by a small administrative team.

Sales

Sales responsibility principally lies with general managers at our distribution centers. The sales function is generally divided into two channels: outside sales and inside sales. Our outside field representatives make on-site calls to local and regional customers. Our inside sales people generally receive and enter orders from customers and support our outside sales function. In addition, we maintain a national account sales team to serve national customers. Our outside sales force is generally compensated by a base salary or draw plus commissions determined primarily on profit margin.

Distribution Strategy and Operations

While we think that having a nationwide reach is critical, the local distribution center is still the principal focus of our operations, and we tailor our business to meet local demand and customer needs. We customize product selection, inventory levels, service offerings and prices to meet local market requirements. With the exception of recently acquired BenBilt, we support this strategy through our single platform information technology system. This system provides each distribution center's general manager real-time access to pricing, inventory availability and margin analysis. This system provides product information both for that location and across our entire network of distribution centers. More broadly, our sales force, in conjunction with our product management teams, works with our suppliers and customers to determine the appropriate mix, quantity and pricing of products suited to each local market.

We purchased products from more than 700 different suppliers in 2016. We generally negotiate with our major suppliers on a national basis to leverage our total volume purchasing power, which we believe provides us with an advantage over our locally based competitors. The majority of our purchases are made from suppliers that offer payment discounts and volume related incentive programs. Although we generally do not have exclusive distribution rights for our key products and we do not have long-term contracts with many of our suppliers, we believe our national footprint, buying power and distribution network make us an attractive distributor for many manufacturers. Moreover, our long operating history has allowed us to forge long-standing relationships with many of our key suppliers who rely on us as a critical part of their supply chain.

We regularly evaluate opportunities to introduce new products. This is primarily driven by opportunities created by customer demand or market requirements. We have found that customers generally welcome a greater breadth of product offering as it can improve their purchasing and operating efficiencies by providing for "one stop" shopping. Similarly, selectively broadening our product offering enables us to drive additional products through our distribution system, thereby increasing the efficiency of our operations by better leveraging our existing infrastructure. The benefit created by this operating leverage may be offset by the cost to establish the new product line, expand our facilities and purchase the inventory. On November 15, 2016, the Company announced a new division, Huttig-Grip, to focus on the growth of our private label construction fastener and specialty building products.

We primarily focus on selling respected, brand name products. We believe that brand awareness is an important factor in building products purchasing decisions. We generally benefit from the quality levels, marketing initiatives and product support provided by manufacturers of branded products. We also benefit from the positive attributes that

customers typically equate with branded products. Additionally, we market and offer certain products under our private label brands, including Huttig-Grip. We believe that these products are attractive to our customers based on their quality and competitive pricing.

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Competition

We compete with many local and regional building product distributors and, in certain markets and product categories, with national building product distributors. We distribute products for some manufacturers that also engage in direct sales.

The principal factors on which we compete are pricing and availability of product, service and delivery capabilities, ability to assist with problem solving, customer relationships, geographic coverage and breadth of product offerings.

Our size and geographic coverage are advantageous in obtaining and retaining distribution rights for brand name products. Our size also permits us to attract experienced sales and service personnel and gives us the resources to provide company-wide sales, product and service training programs. By working closely with our customers and suppliers and utilizing our single information technology platform, we believe our branches are well positioned to maintain appropriate inventory levels and to deliver completed orders on time.

Seasonality, Market Conditions and Working Capital

Various cyclical and seasonal factors, such as general economic conditions and weather, historically have caused our results of operations to fluctuate from period to period. Our size, extensive nationwide operating model, and the geographic diversity of our distribution centers to some extent mitigate our exposure to these cyclical and seasonal factors. These factors include levels of new construction, home improvement and remodeling activity, weather, interest rates and other local, regional and national economic conditions.

Our results of operations are affected by new housing activity in the United States. In 2016, total housing starts increased 5%, to 1.2 million, but were still below the Historical Average of approximately 1.4 million. Based on the current level of housing activity and industry forecasts, we expect new housing activity will continue to increase in 2017, though still remain below the Historical Average.

We anticipate that fluctuations from period to period will continue in the future. Our results in the first and fourth quarters are generally adversely affected by winter weather patterns in the Northeast, Midwest and Northwest, typically due to seasonal decreases in levels of construction activity in these areas. Because much of our overhead and expenses remain relatively fixed throughout the year, our operating profits also tend to be lower during the first and fourth quarters. In addition, other weather patterns, such as hurricane season in the Southeast region of the United States during the third and fourth quarters, can have an adverse impact on our results in a particular period.

We depend on cash flow from operating activities and funds available under our secured credit facility to finance seasonal working capital needs, capital expenditures and any acquisitions that we may undertake. We typically generate cash from working capital reductions in the fourth quarter of the year and build working capital during the first quarter in preparation for our second and third quarters. Our working capital requirements are generally greatest in the second and third quarters, reflecting the seasonal nature of our business. The second and third quarters are also typically our strongest operating quarters, largely due to more favorable weather throughout many of our markets compared to the first and fourth quarters. We maintain significant inventories to meet the rapid delivery requirements of our customers and to enable us to obtain favorable pricing, delivery and service terms with our suppliers. At December 31, 2016 and 2015, inventories and accounts receivable in the aggregate constituted approximately 69% and 68% of our total assets, respectively. We closely monitor operating expenses and inventory levels during seasonally affected periods and, to the extent possible, manage variable operating costs to minimize the seasonal effects on our profitability.

Credit

Huttig maintains an overall credit policy for sales to customers and then delegates responsibility for most credit decisions to credit personnel responsible for individual regions. Our credit policies, together with careful monitoring of customer balances, have resulted in bad debt expense of less than 0.1% in each of 2016, 2015, and 2014. Approximately 99% of our sales in 2016 were to customers to whom we had provided credit for those sales.

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Backlog

Our customers generally order products on an as-needed basis. As a result, a substantial portion of product shipments in a given fiscal quarter result from orders received in that same quarter. Consequently, order backlog represents only a very small percentage of the product sales that we anticipate in a given quarter and is not necessarily indicative of actual sales for any future period.

Trade Names

Historically, Huttig has operated under various trade names in the markets we serve, retaining the names of acquired businesses for a period of time to preserve local identification, including in our recent acquisition of BenBilt Building Systems LP, a Delaware limited partnership (“BenBilt”). To capitalize on our national presence, all of our distribution centers operate under the primary trade name “Huttig Building Products” with the exception of BenBilt. Huttig has no material patents, trademarks, licenses, franchises or concessions other than BenBilt®, Endocote Finishing System®, the Huttig Building Products® name and logo, Huttiguard® and Huttig-Grip®, which are registered trademarks.

Environmental Matters

We are subject to federal, state and local environmental protection laws and regulations. We believe that we are in material compliance, or are taking action aimed at assuring material compliance, with applicable environmental protection laws and regulations. However, there can be no assurance that future environmental liabilities will not have a material adverse effect on our financial condition or results of operations.

We are engaged in legal proceedings relating to contamination at our formerly owned property in Montana. See Part I, Item 3—“Legal Proceedings.”

In addition, some of our current and former distribution centers are located in areas of current or former industrial activity where environmental contamination may have occurred, and for which we, among others, could be held responsible. We currently believe that there are no material environmental liabilities at any of our distribution center locations.

Employees

As of December 31, 2016, we employed approximately 1,200 people, of which approximately 13% were represented by eight unions. We have not experienced any significant strikes or other work interruptions in recent years and have maintained generally favorable relations with our employees. The Company has three union contracts covering approximately 8% of our employees which are currently in negotiations or will require negotiation in 2017. See Part I, Item 1A—“Risk Factors.”

Available Information

We file with the U.S. Securities and Exchange Commission quarterly and annual reports on Forms 10-Q and 10-K, respectively, current reports on Form 8-K and proxy statements pursuant to the Securities Exchange Act of 1934, as amended (the “1934 Act”), in addition to other information as required. The public may read and copy our SEC filings at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We file this information with the SEC electronically, and the SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

Our website address is <http://www.huttig.com>. The contents of our website are not part of this Annual Report. We make available, free of charge on the “Investors” section of our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the 1934 Act. This information is available on our website as

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soon as reasonably practicable after we electronically file it with, or furnish it to, the SEC. Reports of beneficial ownership filed pursuant to Section 16(a) of the 1934 Act are also available through our website.

ITEM 1A—RISK FACTORS

In addition to the other information contained in this Annual Report, the following risk factors should be considered carefully in evaluating the Company's business. The Company's business, financial condition or results of operations could be materially adversely affected by any of these risks. Please note that additional risks not presently known to the Company or that the Company currently deems immaterial may also impair its business and operations.

Although the homebuilding industry is strengthening, any downturn of current construction levels could materially affect our business, liquidity and operating results.

Our sales and results of operations depend heavily on the strength of national and local new residential construction and home improvement and remodeling markets. The strength of these markets depends on new housing starts and residential remodeling projects, which are a function of many factors beyond our control. Some of these factors include general economic conditions, employment levels, job and household formation, interest rates, housing prices, housing inventory, tax policy, availability of mortgage financing, prices of commodity wood and steel products, immigration patterns, regional demographics and consumer confidence.

New housing activity in the United States has shown modest improvement each year since 2009. However, 2016 activity was still below the Historical Average of approximately 1.4 million starts. We expect the level of new housing activity in 2017 to continue to be below the Historical Average. A prolonged downturn in current construction levels or any significant downturn in the major markets we serve or in the economy in general could have a material adverse effect on our operating results, liquidity and financial condition, including but not limited to our ability to comply with the financial covenant under our credit facility and the valuation of our goodwill. Reduced levels of construction activity may result in continued intense price competition among building materials suppliers, which may adversely affect our gross margins. We cannot provide assurance that our responses to a downturn or the government's attempts to address the troubles in the economy will be successful.

The industry in which we compete is highly cyclical, and any cyclical market factors resulting in lower demand or increased supply could have a materially adverse impact on our financial results.

The building products distribution industry is subject to cyclical market pressures caused by a number of factors that are out of our control, such as general economic and political conditions, inventory levels of new and existing homes for sale, levels of new construction, home improvement and remodeling activity, interest rates and population growth. To the extent that cyclical market factors adversely impact overall demand for building products or the prices that we can charge for our products, our net sales and margins would likely decline in the same time frame as the cyclical downturn occurs. Because much of our overhead and expense is relatively fixed in nature, a decrease in sales and margin generally has a significant adverse impact on our results of operations. To the extent our customers experience downturns in their business, our ability to collect our receivables could be adversely affected. Finally, the unpredictable nature of the cyclical market factors that impact our industry make it difficult to forecast our operating results.

We face significant risks associated with uncertainties resulting from changes to policies and laws following the U.S. elections in November 2016.

The change of administrations in the U.S. federal government may affect our business in a manner that currently cannot be reliably predicted, especially given the potentially significant changes to various laws and regulations that affect the Company. These uncertainties may include changes in laws and policies in areas such as corporate taxation, taxation on imports of internationally-sourced products, international trade, environmental protection laws, labor and employment law, immigration and health care, which individually or in the aggregate could materially and adversely affect our business, results of operations or financial condition.

We face risks of incurring significant costs to comply with environmental regulations.

We are subject to federal, state and local environmental protection laws and regulations and may have to incur significant costs to comply with these laws and regulations in the future. We are required to remediate a property formerly owned by us in Montana pursuant to a unilateral administrative order issued by the Montana Department of Environmental Quality (“DEQ”). Although we believe we have accurately estimated the cost of implementing the remediation work at the site based on the information we have currently, we cannot provide assurance of the total cost of implementing the final remediation work at the site due to the currently unknown variables relating to the actual levels of contaminants and additional sampling and testing to ensure the remediation will achieve the projected outcome required by the DEQ. Our total cost of implementing the final remediation work at the site may exceed the amounts we have accrued for the matter.

Some of our current and former distribution centers are located in areas of current or former industrial activity where environmental contamination may have occurred, and for which we, among others, could be held responsible. As a result, we may incur material environmental liabilities in the future with respect to our current or former distribution center locations. In addition, we may also be held responsible for environmental liabilities associated with products that we distribute or have distributed to in the past.

A number of our employees are unionized, and any work stoppages by our unionized employees may have a material adverse effect on our results of operations.

Approximately 13% of our employees were represented by labor unions as of December 31, 2016. As of December 31, 2016, we had eight collective bargaining agreements. The Company has three union contracts covering approximately 8% of our employees which are currently in negotiations or will require negotiation in 2017. We may become subject to significant wage increases or additional work rules imposed by future agreements with labor unions representing our employees. Any such cost increases or new work rule implementation could increase our operating expenses to a material extent. In addition, although we have not experienced any strikes or other significant work interruptions in recent years and have maintained generally favorable relations with our employees, no assurance can be given that there will not be any work stoppages or other labor disturbances in the future, which could adversely impact our financial results.

If we are unable to meet the financial covenant under our credit facility, the lenders could elect to accelerate the repayment of the outstanding balance and, in that event, we would be forced to seek alternative sources of financing.

We fund our working capital by borrowing funds under a \$160.0 million asset based senior secured revolving credit facility, which contains a minimum fixed charge coverage ratio (“FCCR”) that is tested if our excess borrowing availability, as defined in the facility, reaches an amount in the range of less than \$12.5 million to \$20.0 million depending on our borrowing base at the time of testing. For the year ended December 31, 2016, our FCCR exceeded our threshold of 1:05:1.0. However, if in the future we failed to meet the required FCCR and we were unable to maintain excess borrowing availability of more than the applicable amount in the range of \$12.5 million to \$20.0 million, our lenders would have the right to terminate the loan commitments and accelerate the repayment of the entire amount outstanding under the credit facility. Our lenders also could foreclose on our assets that secure our credit facility. In that event, we would be forced to seek alternative sources of financing, which may not be available on terms acceptable to us or at all.

Compliance with the restrictions and the financial covenant under our credit agreement may limit the amount available to us for borrowing under that facility and may limit management’s discretion with respect to certain business matters.

The borrowings under our credit agreement are collateralized by substantially all of our assets, including accounts receivable, inventory and property and equipment. We are also subject to certain operating limitations commonly applicable to a loan of this type, which, among other things, place limitations on indebtedness, liens, investments, mergers and acquisitions, dispositions of assets, cash dividends, stock repurchases and transactions with affiliates. A minimum FCCR must be tested on a pro forma basis prior to consummation of certain significant business transactions outside the Company's ordinary course of business. These restrictions may limit

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management's ability to operate our business in accordance with management's discretion, which could limit our ability to pursue certain strategic objectives.

In addition, the growth in our business may cause us to seek additional financing or increase the size of the credit facility. If we fail to obtain financing, our ability to grow may be limited.

A significant portion of our sales are concentrated with a relatively small number of customers. A loss of one or more of these customers would have material adverse effect on our operating results, cash flow and liquidity.

In 2016, our top ten customers represented 43% of our sales, with one customer accounting for 14% of our sales. This customer is a buying group for multiple building material dealers. Although we believe that our relationships with our customers are strong, the loss of one or more of these customers could have a material adverse effect on our operating results, cash flow and liquidity.

A significant portion of our sales are on credit to our customers. Material changes in their creditworthiness or our inability to forecast deterioration in their credit position could have a material adverse effect on our operating results, cash flow and liquidity.

The majority of our sales are on account where we provide credit to our customers. In 2016, bad debt expense to total net sales was less than 0.1%. Our customers are generally susceptible to the same economic business risks as we are. Furthermore, we may not necessarily be aware of any deterioration in their financial position. If our customers' financial positions become impaired, it could have a significant adverse impact on our bad debt exposure and could have a material adverse effect on our operating results, cash flow and liquidity.

Fluctuation in prices of commodity wood and steel products that we buy and then resell may have a significant impact on our results of operations.

Changes in wood and steel commodity prices between the time we buy these products and the time we resell them have occurred in the past, and we expect fluctuations to occur again in the future. Such changes can adversely affect the gross margins that we realize on the resale of the products. We may be unable to manage these fluctuations effectively or minimize any negative impact of these changes on our financial condition and results of operations.

Risks associated with our private brands could adversely affect our business.

We offer our customers quality products at competitive prices, some of which are marketed under our private brands. We expect to continue to grow our private brand offerings under the Huttig-Grip name. Our private brand offerings subject us to certain additional risks. These include, among others, risks related to: our, or our suppliers', failure to ensure the quality of such products; our failure to comply with government and industry safety standards; mandatory or voluntary product recalls related to our private brand offerings; our ability to successfully protect our proprietary rights in our exclusive offerings; and risks associated with international sourcing and manufacturing. In addition, damage to the reputation of our private brand trade names may generate negative customer sentiment. Our failure to adequately address some or all of these risks could have a material adverse effect on our business, results of operations and financial condition.

We expect to make significant investments in the Huttig-Grip division. We cannot provide assurance that our investments will be profitable.

The termination of key supplier relationships may have an immediate material adverse effect on our financial condition and results of operations.

We distribute building materials that we purchase from a number of major suppliers. As is customary in our industry, most of our relationships with these suppliers are terminable without cause on short notice. More than half of our purchases are concentrated with ten suppliers. Although we believe that relationships with our existing

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suppliers are strong and that in most cases we would have access to similar products from competing suppliers, the termination of key supplier relationships or any other disruption in our sources of supply, particularly of our most commonly sold items, could have a material adverse effect on our financial condition and results of operations. Supply shortages resulting from unanticipated demand or production difficulties could occur from time to time and could also have a material adverse effect on our financial condition and results of operations.

We use international sources for the production of certain of our products, which exposes us to certain additional risks.

We use international vendors for the supply of certain of our products. Global sourcing and foreign trade involve numerous factors and uncertainties beyond our control including increased shipping costs, increased import duties, more restrictive quotas, loss of most favored nation trading status, currency, work stoppages, transportation delays, port of entry issues, economic uncertainties such as inflation, foreign government regulations, political unrest, natural disasters, war, terrorism, trade restrictions, political instability, the financial stability of vendors, merchandise quality issues, and tariffs and other import taxes. Additionally, operating in the international marketplace requires us to comply with U.S. and foreign laws and regulations applicable to our foreign operations, such as the Foreign Corrupt Practices Act and its counterparts in other foreign jurisdictions in which we operate. Negative press or reports about internationally manufactured products, which have become increasingly prominent, may sway public opinion, and thus customer confidence, away from the products sold by us. These and other issues affecting our international vendors could have a material adverse effect on our business, financial condition and results of operations.

The building materials distribution industry is fragmented and competitive, and we may not be able to compete successfully with some of our existing competitors or new entrants in the markets we serve.

The building materials distribution industry is fragmented and competitive. Our competition varies by product line, customer classification and geographic market. The principal competitive factors in our industry are:

- pricing and availability of product;
- service and delivery capabilities;
- quality of value-added services;
- ability to assist with problem-solving;
- customer relationships;
- geographic coverage;
- financial stability and credit terms; and
- breadth of product offerings.

We compete with many local, regional and, in some markets and product categories, national building materials distributors and dealers. In addition, some product manufacturers sell and distribute their products directly to our customers, and the volume of such direct sales could increase in the future. Manufacturers of products distributed by us may also enter into exclusive supplier arrangements with our competition. Further, home center retailers, which have historically concentrated their sales efforts on retail consumers and small contractors, may intensify their marketing efforts to larger contractors and homebuilders. Some of our competitors have greater financial and other resources and may be able to withstand sales or price decreases better than we can. We also expect to continue to face competition from new market entrants. We may be unable to continue to compete effectively with these existing or new competitors, which could have a material adverse effect on our financial condition and results of operations.

We have retained accident and claims risk under our insurance programs. Significant claims, and/or our ability to accurately estimate the liability for these claims could have a material adverse effect on our operating results.

We retain a portion of the accident and claims risk under vehicle liability, workers' compensation, medical and other insurance programs. We have multiple claims of various sizes and forecast the number of claims in determining the portion of accident risk we are willing to self-insure. We base loss accruals on our best estimate of the cost of resolution of these matters and adjust them periodically as circumstances change. Due to limitations inherent in the estimation process, our estimates may change. Changes in the actual number of large claims or changes in the estimates of these accruals may have a material adverse impact on our results of operations in any such period.

In addition, our insurance underwriters require collateral, generally in the form of letters of credit, which reduce our borrowing availability under our senior secured credit facility. As of December 31, 2016, we had \$3.0 million letters of credit outstanding. Changes in the actual number of large claims could increase our collateral requirements and reduce our borrowing availability under our credit facility.

Federal and state transportation regulations, as well as increases in the cost of fuel, could impose substantial costs on us, which could adversely affect our results of operations.

We use our own fleet of approximately 165 tractors, 15 trucks and 300 trailers to service customers throughout the United States. The U.S. Department of Transportation ("DOT"), regulates our operations, and we are subject to safety requirements prescribed by the DOT. 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 could increase our costs. These regulations may be subject to significant modification in connection with the new administration of the U.S. federal government.

In addition, we rely on diesel fuel to operate our fleet and, therefore, we are impacted by changes in diesel fuel prices. Fuel costs are largely unpredictable and can have a significant impact on the Company's results of operations.

Our failure to attract and retain key personnel could have a material adverse effect on our future success.

Our future success depends, to a significant extent, upon the continued service of our executive officers and other key management and sales personnel and on our ability to continue to attract, retain and motivate qualified personnel. The loss of the services of one or more key employees or our failure to attract, retain and motivate qualified personnel could have a material adverse effect on our business. In addition, the tight labor market and low unemployment levels may impact our ability to hire and retain qualified personnel at our distribution centers.

Our unionized employees generally participate in certain multi-employer pension plans and funding requirements for these plans, particularly underfunded plans, may have a material adverse effect on our results of operations.

We participate in various multi-employer pension plans. Some of these multi-employer plans may be underfunded at any point in time. While the underfunded status may be cured in the normal course of plan management, a significant obligation may be created which could have a material adverse effect on our operations or could materially add to the cost of closing or consolidating operating locations.

We face the risks that product liability claims and other legal proceedings relating to the products we distribute may adversely affect our business and results of operations.

As is the case with other companies in our industry, even though our suppliers generally warrant the products we sell, we face the risk of product liability and other claims of the type that are typical to our industry in the event that the use

of products that we have distributed causes other damages. Product liability claims in the future, regardless of their ultimate outcome and whether or not covered under our insurance policies or indemnified by our suppliers, could result in costly litigation and have a material adverse effect on our business and results of operations.

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We may acquire other businesses, and, if we do, we may be unable to integrate them with our business, which may impair our financial performance.

If we find appropriate opportunities, we may acquire businesses that we believe provide strategic opportunities. If we acquire a business, the process of integration may produce unforeseen operating difficulties and expenditures and may demand significant attention of our management that would otherwise be available for the ongoing development and operation of our business. If we make future acquisitions, we may issue shares of stock that dilute the ownership interests of other stockholders, expend cash, incur debt, assume contingent liabilities or create additional expenses relating to amortizing intangible assets with estimated useful lives, any of which might harm our business, financial condition or results of operations. Furthermore, the acquired business may not perform as expected, which would impact our financial performance.

Exposure to successor liability and other liabilities may have a material adverse effect on our business, financial condition or results of operations.

We may be exposed to successor liability and other liabilities relating to the historical operations of our predecessors (including Crane Co.) or actions by an acquired business before the acquisition, including, but not limited to, anti-corruption, import-export, product-related and other health-based claims, environmental and other matters, which could also result in significant liabilities and/or civil or criminal penalties. We also may assume liabilities in connection with the acquisition of businesses, including liabilities that we fail, or are unable, to identify in the course of performing due diligence investigations of the acquired businesses, or that may be more material than we previously determined. In these circumstances, we may be subject to indemnification obligations or our rights to indemnification from our predecessors or the sellers of the acquired businesses to us may not be sufficient in amount, scope or duration or be sufficiently collectible to offset fully the possible liabilities. Further, these liabilities could result in unexpected legal or regulatory exposure, unexpected increase in taxes or other adverse effects on our business. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations.

Goodwill is a significant portion of our total assets and is tested for impairment at least annually, which could result in a material non-cash write-down of goodwill.

Goodwill is subject to impairment tests at least annually and between annual tests in certain circumstances. We have incurred non-cash impairment charges in certain prior years. At December 31, 2016, we reported goodwill of \$9.5 million. We may be required to incur additional non-cash impairment charges in the future that could have a material adverse effect on our operating results.

Our financial results reflect the seasonal nature of our operations.

Our first and fourth quarter revenues are typically adversely affected by winter construction cycles and weather patterns in colder climates as the level of activity in the new construction and home improvement markets decreases. Because much of our overhead and expense remains relatively fixed throughout the year, our operating profits also tend to be lower during the first and fourth quarters. In addition, other weather patterns, such as hurricane season in the Southeast region of the United States during the third and fourth quarters, can have an adverse impact on our profits in a particular period.

We may be subject to information technology system failures, network disruptions, cybersecurity attacks and breaches in data security, which may materially adversely affect our financial condition, results of operations and business.

We depend on information technology, including our information technology system and third party telecommunications facilities, as an essential element to sustain our operations. Our system enables us to interface with our local distribution centers and customers, as well as to maintain and timely update financial and business records. A failure of the information technology systems used by us or third parties with which we interact could disrupt our operations by causing transaction errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers or impediments to the shipment of products. In particular, a cybersecurity breach could result in the loss or unauthorized disclosure of our intellectual property, proprietary information and personal

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information of our customers and employees. An information technology failure could expose us to financial losses from the need to undertake remedial actions and loss of business or potential liability, all of which could have a material adverse effect on our financial condition, results of operations and business.

Our deferred tax assets could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

We have significant deferred tax assets related to federal and state net operating loss carryforwards (collectively, the “Deferred Tax Assets”). Under federal tax laws, we can carry forward and use our Deferred Tax Assets to reduce our future taxable income and tax liabilities until such Deferred Tax Assets expire in accordance with the Internal Revenue Code of 1986, as amended (the “Code”). Section 382 and Section 383 of the Code provide an annual limitation on our ability to utilize our Deferred Tax Assets, as well as certain built-in-losses, against future taxable income in the event of a change in ownership (as defined under the Code). While we have adopted a rights plan to protect stockholder value by attempting to diminish the risk that the Company’s ability to use its Deferred Tax Assets (see “Shareholder Rights Plan” under Part I, Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information) may become substantially limited, we could experience a change in ownership in the future as a result of changes in our stock ownership that are beyond our control, and any such subsequent changes in ownership for purposes of the Code could further limit our ability to use our Deferred Tax Assets. Accordingly, any such occurrences could adversely impact our ability to offset future tax liabilities and, therefore, adversely affect our financial condition, results of operations and cash flow.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

Our corporate headquarters is located at 555 Maryville University Drive, Suite 400, St. Louis, Missouri 63141, in a leased facility. We own 14 of our 27 distribution centers and lease the balance. The owned distribution centers secure our credit facility. Warehouse space at distribution centers aggregated to approximately 3.2 million square feet as of December 31, 2016. Distribution centers range in size from 21,100 square feet to 260,000 square feet. The types of facilities at these centers vary by location, from traditional wholesale distribution warehouses to facilities with broad product offerings and capabilities for a range of value added services such as pre-hung door operations. We believe that our locations are well maintained and adequate for their use.

ITEM 3—LEGAL PROCEEDINGS

We are involved in various claims and litigation arising in the ordinary course of business. We believe that the disposition of these matters will not have a material adverse effect on our business or our financial condition.

We are subject to federal, state and local environmental protection laws and regulations. We believe that we are in material compliance, or are taking action aimed at assuring compliance, with applicable environmental protection laws and regulations. However, there can be no assurance that future environmental liabilities will not have a material adverse effect on our financial condition or results or operations.

Environmental Matters

We are required to remediate a property formerly owned by us in Montana pursuant to a unilateral administrative order issued by the DEQ. On February 18, 2015, the DEQ issued an amendment to the unilateral administrative order of the DEQ outlining the final remediation of the property in its Record of Decision (the “ROD”). Under the ROD, the DEQ estimated the remediation costs of the property to be \$8.3 million.

The Company submitted a comprehensive final remedial action work plan (the “RAWP”) in September 2015 that was approved by the DEQ. During the process of finalizing the RAWP in the third quarter of 2015 the

Company considered a multitude of factors including, but not limited to, consultation with third party experts, the evaluation of remedial action alternatives, and discussions with DEQ. The culmination of the information, data, and risk analysis resulted in excluding certain potential cost savings associated with remedial action alternatives from the final RAWP that had been previously proposed for inclusion in the RAWP. Eliminating these potential cost savings remedial action alternatives from the final RAWP caused the Company to reassess the total estimated remediation costs of the project. The Company estimates the total remaining cost of implementing the RAWP to be \$7.1 million at December 31, 2016 with respect to the contingent liability, as compared to \$8.0 million at December 31, 2015.

The Company is currently implementing the RAWP and has commenced field work at the Montana site subject to DEQ oversight and approval.

As of December 31, 2016, the Company believes the accrual represents a reasonable best estimate of the total remaining remediation costs, based on facts, circumstances, and information currently available to Huttig. However, there are currently unknown variables relating to the actual levels of contaminants and amounts of soil that will ultimately require treatment or removal and as part of the remediation process, additional soil and groundwater sampling, and bench and pilot testing is required to ensure the remediation will achieve the projected outcome required by the DEQ. Potential indemnification or other claims we may be able to assert against third parties and possible insurance coverage have also been considered but any potential recoveries have not been recognized at this time. The ultimate final amount of remediation costs and expenditures are difficult to estimate with certainty and as a result, the amount of actual costs and expenses ultimately incurred by Huttig with respect to this property could be lower than, or exceed the amount accrued as of December 31, 2016 by a material amount and could have a material adverse effect on our liquidity, financial condition or operating results of any fiscal quarter or year in which estimated costs or additional expenses are, or not incurred.

On June 29, 2015, certain private plaintiffs owning properties adjacent to the Montana site sued the Company, Crane Co., and other defendants in the Montana Fourth Judicial District Court seeking remediation of the property in excess of what is contemplated by the ROD and other damages (the "Montana Lawsuit"). The Company has settled the claim and the related expense has been recorded in the financial statements at December 31, 2016.

In addition, some of the Company's current and former distribution centers are located in areas of current or former industrial activity where environmental contamination may have occurred, and for which the Company, among others, could be held responsible. The Company currently believes that there are no material environmental liabilities at any of its distribution center locations.

The Company accrues expenses for contingencies when it is probable that an asset has been impaired or a liability has been incurred and management can reasonably estimate the expense. Contingencies for which the Company has made accruals include environmental, product liability and other legal matters. It is possible, however, that actual expenses could, or could not exceed our accrual by a material amount which could have a material adverse effect on the Company's future liquidity, financial condition or operating results in the period in which any such additional expenses are incurred or recognized.

ITEM 4—MINE SAFETY DISCLOSURES

Not Applicable.

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PART II

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

Our common stock trades on the NASDAQ exchange under the ticker symbol “HBP.” At February 15, 2017, there were approximately 1,600 holders of record of our common stock. The following table sets forth the range of high and low sale prices of our common stock:

	2016		2015	
	High	Low	High	Low
First Quarter	\$3.94	\$3.01	\$3.63	\$2.81
Second Quarter	5.70	3.56	4.12	2.85
Third Quarter	7.00	5.21	3.50	2.84
Fourth Quarter	6.95	4.65	3.92	3.06

In order to make cash generated available for use in operations, debt reduction, stock repurchases and potential acquisitions, we have not declared, nor do we anticipate at this time declaring or paying, any cash dividends on our common stock. Provisions of our credit facility contain various covenants, which, among other things, limit our ability to incur indebtedness, incur liens, make certain types of acquisitions, declare or pay dividends, repurchase shares or sell assets outside of the ordinary course of business. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

See Part III, Item 12—“Security Ownership of Certain Beneficial Owners,” for information on securities authorized for issuance under equity compensation plans.

ITEM 6—SELECTED CONSOLIDATED FINANCIAL DATA

The following table summarizes certain selected financial data of continuing operations of the Company as of year-end for each of the five years in the period ended December 31, 2016. The information contained in the following table may not necessarily be indicative of our future performance. Such historical data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and notes thereto included elsewhere in this report.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(In Millions, Except Per Share Data)				
Income Statement Data: (1)					
Net sales	\$713.9	\$659.6	\$623.7	\$561.5	\$521.1
Cost of sales	562.7	526.3	501.1	450.4	420.4
Gross margin	151.2	133.3	122.6	111.1	100.7
Operating expenses	128.5	119.2	114.3	104.8	98.4
Goodwill impairment	—	—	—	—	1.9
Gain on disposal of capital assets	—	(0.4)	—	—	(2.4)
Operating income	22.7	14.5	8.3	6.3	2.8
Interest expense, net	2.2	2.3	2.5	2.6	2.9
Income (loss) from continuing operations before					
income taxes	20.5	12.2	5.8	3.7	(0.1)
Provision (benefit) for income taxes	7.2	(17.2)	—	0.1	—
Net income (loss) from continuing operations	13.3	29.4	5.8	3.6	(0.1)
Per share:					
Net income from continuing operations					
(basic and diluted)	0.52	1.17	0.23	0.15	—
Balance Sheet Data (at end of year):					
Total assets	\$202.3	\$177.4	\$158.0	\$151.5	\$137.5
Debt—bank, capital leases and other obligations(2)	55.5	48.6	63.7	62.0	59.8
Total shareholders’ equity	70.5	52.9	25.7	22.9	19.1

(1) Amounts exclude operations classified as discontinued.

(2) Debt includes both current and long-term portions of bank debt, capital leases and other obligations. See Note 4 to our consolidated financial statements.

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

Overview

We are a distributor of building materials used principally in new residential construction and in home improvement, remodeling and repair work. We distribute our products through 27 distribution centers serving 41 states and sell primarily to building materials dealers, national buying groups, home centers and industrial users, including makers of manufactured homes. Our products fall into three categories: (i) millwork, which includes doors, windows, moulding, stair parts and columns, (ii) general building products, which includes connectors, fasteners, composite decking, housewrap, roofing products and insulation, and (iii) wood products, which includes engineered wood products, such as floor systems, as well as wood panels and lumber.

Industry Conditions

Our sales depend heavily on the strength of local and national new residential construction, home improvement and remodeling markets. During the past several years, our results of operations have been adversely affected by the severe downturn in new housing activity in the United States. However, new housing activity has shown moderate improvement each year since 2009, the trough period of the downturn. In 2016, total housing starts increased 5%, to 1.2 million, but were still below the Historical Average of approximately 1.4 million. Based on the current level of housing activity and industry forecasts, we expect the increase in new housing activity could continue into 2017 but still remain below the Historical Average.

Various factors historically have caused our results of operations to fluctuate from period to period. These factors include levels of construction, home improvement and remodeling activity, weather, prices of commodity wood and steel products, interest rates, competitive pressures, availability of credit and other local, regional, national and economic conditions. Many of these factors are cyclical or seasonal in nature. We anticipate that further fluctuations in operating results from period to period will continue in the future. Our first and fourth quarters are generally adversely affected by winter weather patterns in the Northwest, Midwest and Northeast, which typically cause seasonal decreases in levels of construction activity in these areas. Because much of our overhead and expenses remain relatively fixed throughout the year, our operating profits tend to be lower during the first and fourth quarters.

We believe we have the product offerings, distribution channel, personnel, systems infrastructure, financial, and competitive resources necessary for continued operations. Our future revenues, costs and profitability, however, are all likely to be influenced by a number of risks and uncertainties, including those set forth in Part I, Item 1A—:Risk Factors”.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require management to make estimates and assumptions. Management bases these estimates and assumptions on historical results and known trends as well as management forecasts. Actual results could differ from these estimates and assumptions.

Inventory—Inventories are valued at the lower of cost or market. We utilize last-in, first-out (“LIFO”) cost method to value the majority of our inventories. We review inventories on hand and record a provision for slow-moving and obsolete inventory based on historical and expected sales.

Contingencies—We accrue expenses when it is probable that an asset has been impaired or a liability has been incurred and we can reasonably estimate the expense. Contingencies for which we have made accruals include environmental,

product liability and certain other legal matters. It is possible that future results of operations for any particular quarter or annual period and our financial condition could be materially affected by changes in assumptions or other circumstances related to these matters. We accrue an estimate of the cost of resolution of these matters and make adjustments to the amounts accrued as circumstances change. We expense legal costs as incurred.

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Income Taxes—We operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. We regularly review our potential tax liabilities for tax years subject to audit. Changes in our tax liability may occur in the future as our assessment changes based on the progress of tax examinations in various jurisdictions and/or changes in tax regulations. In management’s opinion, adequate provisions for income taxes have been made for all years presented.

Deferred tax assets and liabilities are recognized for the future tax benefits or liabilities attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates would be recognized in income in the period that includes the enactment date. We regularly review our deferred tax assets for recoverability and establish a valuation allowance when we believe that such assets may not be recovered, taking into consideration historical operating results, expectations of future earnings, changes in operations, the expected timing of the reversal of existing temporary differences and available tax planning strategies. Currently, we have significant deferred tax assets related to federal and state net operating loss carry-forwards. We carry a valuation allowance for state net operating loss carryforwards which we believe are more likely than not, will not be realized based on our projections of continued profitability for 2017 and beyond. Although we believe our estimates to be reasonable, differences in our future operating results from these projections could significantly change our estimates of and realization of these deferred tax assets in future periods.

Results of Operations

Fiscal 2016 Compared to Fiscal 2015

Continuing Operations

Net sales from continuing operations were \$713.9 million in 2016, which were \$54.3 million, or approximately 8%, higher than 2015. The increase was primarily due to higher levels of construction activity, the addition of a new product line and the acquisition of BenBilt which was completed on April 4, 2016.

Sales in the major product categories changed as follows in 2016 from 2015: millwork sales increased 12% to \$363.9 million, building product sales increased 5% to \$278.8 million, and wood products increased 1% to \$71.2 million with a 12% increase in sales of engineered wood products and a 7% decrease in sales of other wood products. Fluctuations across product categories can occur based on general market conditions, new product incentives, promotions, changes in product lines, and commodity pricing, among other things.

Gross margin increased approximately 13% to \$151.2 million, or 21.2% of sales, in 2016 as compared to \$133.3 million, or 20.2% of sales, in 2015. The increase in gross margin percentage was primarily due to our operational initiatives, as well as improved product mix as we continue to expand our value-add capabilities to service the repair/remodel construction segment.

Operating expenses increased 8% to \$128.5 million, or 18.0% of sales, in 2016, compared to \$119.2 million, or 18.1% of sales, in 2015. The increase in operating expenses was primarily due to an increase in personnel costs, which increased \$6.7 million, principally due to wage increases, hiring of additional personnel, and expenses attributable to higher variable costs associated with increased sales. We recorded total stock-based compensation expense of \$1.7 million in 2016 compared to \$1.8 million in 2015. Non personnel expenses were \$2.1 million higher in 2016 as compared to 2015 primarily due to the acquisition of BenBilt.

Net interest expense was \$2.2 million in 2016 compared to \$2.3 million in 2015. The decrease was primarily due to lower average debt in 2016 versus 2015.

An income tax provision of \$7.2 million was recognized for the year ended December 31, 2016. An income tax benefit of \$17.2 million was recognized for the year ended December 31, 2015. The 2015 income tax benefit primarily relates to the Company's release of all of its valuation allowance related to federal and a significant portion of certain state net operating loss carryforwards.

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As a result of the foregoing factors, we reported income from continuing operations of \$13.3 million in 2016 as compared to \$29.4 million in 2015.

Discontinued Operations

We recorded income of \$3.0 million in after-tax income from discontinued operations in 2016 primarily as a result of payments received from settlement agreements with insurers, as well as with Crane Co., in connection with the declaratory action filed in the United States court for the Eastern District of Missouri. We recorded a loss of \$3.4 million after tax in 2015 due to environmental and related legal expenses. See Part I, Item 3—"Legal Proceedings".

Fiscal 2015 Compared to Fiscal 2014

Continuing Operations

Net sales from continuing operations were \$659.6 million in 2015, which were \$35.9 million, or approximately 6%, higher than 2014. The increase was primarily due to higher levels of construction activity and our core product growth initiatives, which we believe resulted in revenue increases in certain product categories above the overall rate of market growth thereby gaining some level of market share.

Sales in the major product categories changed as follows in 2015 from 2014: millwork sales increased 6% to \$324.4 million, building product sales increased 8% to \$264.7 million, and wood products decreased 2% to \$70.5 million with a 13% increase in sales of engineered wood products and a 12% decrease in sales of other wood products. Fluctuations across product categories can occur based on general market conditions, new product incentives, promotions, changes in product lines, and commodity pricing, among other things.

Gross margin increased approximately 9% to \$133.3 million, or 20.2% of sales, in 2015 as compared to \$122.6 million, or 19.7% of sales, in 2014. The increase in gross margin percentage was primarily due to our operational initiatives, as well as improved product mix as we continue to expand our value-add capabilities to service the repair/remodel construction segment. The pricing environment remains very competitive, which continues to constrain margins.

Operating expenses increased 4% to \$119.2 million, or 18.1% of sales, in 2015, compared to \$114.3 million, or 18.3% of sales, in 2014. The increase in operating expenses was primarily due to an increase in personnel costs, which increased \$5.2 million, principally from wage increases, hiring of additional personnel, and expenses attributable to higher variable costs associated with increasing sales. We recorded total stock-based compensation expense of \$1.8 million in 2015 compared to \$1.4 million in 2014. Non personnel expenses were \$0.4 million lower in 2015 as compared to 2014 due to a significant reduction in fuel costs partially offset by higher insurance claims and equipment rentals.

Net interest expense was \$2.3 million in 2015 compared to \$2.5 million in 2014. The decrease was primarily due to lower borrowing rates in 2015 versus 2014.

An income tax benefit of \$17.2 million was recognized for the year ended December 31, 2015. No income tax expense was recognized for the year ended December 31, 2014. The 2015 income tax benefit primarily relates to the change in the valuation allowance on deferred tax assets, as we believe it is more likely than not that we will utilize federal and certain state tax net operating loss carryforwards in the future.

As a result of the foregoing factors, we reported income from continuing operations of \$29.4 million in 2015 as compared to \$5.8 million in 2014.

Discontinued Operations

We recorded a loss of \$3.4 million from discontinued operations in 2015 as compared to a loss from discontinued operations of \$3.6 million in 2014. The loss in both years was due to environmental and related legal expenses. See Part I, Item 1A—“Legal Proceedings.”

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Shareholder Rights Plan

On May 18, 2016, the Company's Board of Directors issued one preferred share purchase right (a "Right") for each share of our common stock issued and outstanding as of the close of business on May 31, 2016 and adopted a shareholder rights plan, as set forth in the rights agreement entered into on the same date between the Company and Computershare Trust Company, N.A. (the "Rights Agreement"). The Rights Agreement will expire on the earliest of (i) the date of the Company's 2017 Annual Meeting if the Company's stockholders do not approve the Rights Agreement, (ii) May 18, 2019, (iii) the time at which the Rights are redeemed or exchanged, as provided for in the Rights Agreement, (iv) the repeal of Section 382 of the Internal Revenue Code if the Board determines that the Rights Agreement is no longer necessary for the preservation of the Company's net operating loss carryforwards ("NOLs"), and (v) the beginning of a taxable year of the Company to which the Board determines that no NOLs may be carried forward. The Company adopted the Rights Agreement to protect stockholder value by attempting to diminish the risk that the Company's ability to use its net operating losses ("NOLs") to reduce potential future federal income tax obligations may become substantially limited.

See Note 13 – "Rights Agreement" of the Notes to Condensed Consolidated Financial Statements in Item 8 for more information regarding the Rights Agreement.

Liquidity and Capital Resources

We depend on cash flow from operations and funds available under our revolving credit facility to finance seasonal working capital needs, capital expenditures and any acquisitions that we may undertake. Our working capital requirements are generally greatest in the second and third quarters, which reflect the seasonal nature of our business. The second and third quarters are also typically our strongest operating quarters, largely due to more favorable weather throughout many of our markets compared to the first and fourth quarters. We typically generate cash from working capital reductions in the fourth quarter of the year and build working capital during the first quarter in preparation for our second and third quarters. We also maintain significant inventories to meet the rapid delivery requirements of our customers and to enable us to obtain favorable pricing, delivery and service terms with our suppliers. At December 31, 2016 and 2015, inventories and accounts receivables constituted approximately 69% and 68% of our total assets, respectively. We also closely monitor operating expenses and inventory levels during seasonally affected periods and, to the extent possible, manage variable operating costs to minimize seasonal effects on our profitability.

Operations—Cash provided by operating activities decreased by \$0.1 million to \$17.0 million in 2016, compared to \$17.1 million in 2015. In 2016, our net income decreased \$9.4 million compared to 2015. The decline in net income was due to recording a \$7.2 million provision for income taxes in 2016 while recognizing an income tax benefit of \$17.2 million related to the release of a significant portion of our valuation allowance on our net deferred tax assets in 2015. Income from continuing operations before income taxes increased \$8.3 million to \$20.5 million. Accounts receivable increased by \$1.5 million and \$7.8 million during 2016 and 2015, respectively. Days' sales outstanding decreased by 0.2 days to 32.9 days at December 31, 2016 from 33.1 days at December 31, 2015 based on annualized fourth quarter sales and quarter end accounts receivable balances for the respective periods. Inventory increased by \$14.6 million in 2016 compared to a decrease of \$1.5 million in 2015. Our inventory turns decreased to 6.2 turns in 2016 from 7.3 turns in 2015. Accounts payable increased by \$2.7 million during 2016 compared to a \$4.2 million increase in 2015. The change in accounts payable was generally due to the timing of purchases and payments. Days' payable outstanding increased to 33.4 at December 31, 2016 from 32.2 at December 31, 2015 based on annualized fourth quarter costs of goods sold and quarter-end accounts payable balances for the respective periods.

Investing—Net cash used in investing activities was \$21.4 million in 2016, as compared to \$0.3 million in 2015. The Company borrowed \$17.3 million from our credit facility for the acquisition of BenBilt in the second quarter of

2016. In 2016 we invested \$4.1 million in property and equipment at various locations. In 2015 we received \$2.5 million in proceeds for the sale of Southwest Roofing Supply branch and invested \$2.8 million in property and equipment at various locations.

Financing—Cash provided by financing activities of \$4.4 million in 2016 reflected net debt borrowings of \$6.0 million under our credit facility, payments of \$1.2 million for capital lease and other debt obligations and \$0.4

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million for the repurchase of 0.1 million shares of common stock in conjunction with the employee tax liability. Net borrowings included amounts borrowed to fund the acquisition of BenBilt. Cash used in financing activities of \$17.0 million in 2015 reflected net debt payments of \$14.7 million under our credit facility, payments of \$1.7 million for capital lease and other debt obligations, and \$0.6 million for the repurchase of 0.2 million shares of common stock in conjunction with employee tax liability. The shares repurchased were retired in both years.

The Company believes that cash generated from its operations and funds available under the credit facility will provide sufficient funds to meet the operating needs of the Company for at least the next twelve months. However, if the Company's availability falls below the required threshold and the Company does not meet the fixed charge coverage ratio, its lenders would have the right to terminate the loan commitments and accelerate the repayment of the entire amount outstanding under the credit facility. The lenders could also foreclose on the Company's assets that secure the credit facility. If the credit facility is terminated, the Company would be forced to seek alternative sources of financing, which may not be available on terms acceptable to it, or at all.

Credit Facility—See Note 4 – “Debt” in the Notes to Consolidated Financial Statements in Item 8 for information on our credit agreement.

Off-Balance Sheet Arrangements

In addition to funds available from operating cash flows and our bank credit facility as described above, we use operating leases, which are considered to be off balance sheet. Operating leases are employed as an alternative to purchasing certain property, plant and equipment. Future rental commitments, extending through 2022, under all non-cancelable operating leases in effect at December 31, 2016 totaled \$34.8 million.

Commitments and Contingencies

The table below summarizes our contractual obligations as of December 31, 2016 (in millions):

	Total	Payments Due by Period		
		2017	2018-2019	Beyond 2021
Long-term debt, including current portion (1)	\$55.5	\$1.0	\$53.8	\$0.7
Operating lease obligations (2)	34.2	9.9	15.9	7.4
Total	\$89.7	\$10.9	\$69.7	\$8.1

(1) Amounts represent the expected cash payments of our long-term debt and do not include any fair value adjustments.

(2) Amounts are net of minimum sublease income.

Cautionary Statement Relevant to Forward-looking Information for the Purpose of “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995

This Annual Report and our annual report to stockholders contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “believe,” “estimate,” “project” or similar expressions may identify forward-looking statements, although not all forward-looking statements contain such words. Statements made in this Annual Report and our annual report to stockholders looking forward in time, including, but not limited to, statements regarding our current

views with respect to financial performance, future growth in the housing market, distribution channels, sales, favorable supplier relationships, inventory levels, the ability to meet customer needs, enhanced competitive posture, financial impact from litigation or contingencies, including environmental proceedings, are included pursuant to the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995.

These statements present management’s expectations, beliefs, plans and objectives regarding our future business and financial performance. These forward-looking statements are based on current projections, estimates, assumptions and judgments, and involve known and unknown risks and uncertainties. We disclaim any obligation to

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publicly update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise.

There are a number of factors, some of which are beyond our control that could cause our actual results to differ materially from those expressed or implied in the forward-looking statements. These factors include, but are not limited to: the strength of construction, home improvement and remodeling markets and the recovery of the homebuilding industry to levels consistent with the Historical Average; the cyclical nature of our industry; the uncertainties resulting from changes to policies and laws following the U.S. election in November 2016; the cost of environmental compliance, including actual expenses we may incur to resolve proceedings we are involved in arising out of a formerly owned facility in Montana; any limitations on our ability to utilize our deferred tax assets to reduce future taxable income and tax liabilities; our ability to comply with, and the restrictive effect of, the financial covenant applicable under our credit facility; the loss of a significant customer; deterioration of our customers' creditworthiness or our inability to forecast such deteriorations; commodity prices; risks associated with our private brands; termination of key supplier relationships; risks of international suppliers; competition with existing or new industry participants; goodwill impairment; the seasonality of our operations; significant uninsured claims; federal and state transportation regulations; fuel cost increases; our failure to attract and retain key personnel; deterioration in our relationship with our unionized employees, including work stoppages or other disputes; funding requirements for multi-employer pension plans for our unionized employees; product liability claims and other legal proceedings; the integration of any business we acquire and the liabilities of such businesses; and those set forth under Item 1A – "Risk Factors." These factors may not constitute all factors that could cause actual results to differ from those discussed in any forward-looking statement. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to market risk as it relates to effects of changes in interest rates. We had debt outstanding at December 31, 2016 under our credit facility of \$52.2 million.

All of our debt under our revolving credit facility accrues interest at a floating-rate basis. If market interest rates for LIBOR had been different by an average of 1% for the year ended December 31, 2016, our interest expense and income before taxes would have changed by \$0.6 million. These amounts are determined by considering the impact of the hypothetical interest rates on our borrowing cost. This analysis does not consider the effects of any change in the overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management may take actions to further mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our financial structure.

We are subject to periodic fluctuations in the price of wood, steel commodities, petrochemical-based products and fuel. Profitability is influenced by these changes as prices change between the time we buy and sell the wood, steel or petrochemical-based products. Profitability is also influenced by changes in prices of fuel. In addition, to the extent changes in interest rates affect the housing and remodeling market, we would be affected by such changes.

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Huttig Building Products, Inc.:

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

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

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

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

deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Huttig Building Products, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) .

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The Company acquired the assets of BenBilt during the year ended December 31, 2016, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, BenBilt's internal control over financial reporting associated with total assets representing 8.6 percent of consolidated assets, and total net sales representing 3.2 percent of consolidated net sales, included in the consolidated financial statements of the Company as of and for the year ended December 31, 2016. Our audit of internal control over financial reporting of Huttig Building Products, Inc. also excluded an evaluation of the internal control over financial reporting of BenBilt.

/s/ KPMG LLP

St. Louis, Missouri

March 2, 2017

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2016	2015	2014
	(In millions, except per share data)		
Net sales	\$713.9	\$659.6	\$623.7
Cost of sales	562.7	526.3	501.1
Gross margin	151.2	133.3	122.6
Operating expenses	128.5	119.2	114.3
Gain on disposal of assets	—	(0.4)	—
Operating income	22.7	14.5	8.3
Interest expense, net	2.2	2.3	2.5
Income from continuing operations before income taxes	20.5	12.2	5.8
Provision (benefit) for income taxes	7.2	(17.2)	—
Net income from continuing operations	13.3	29.4	5.8
Net income (loss) from discontinued operations, net of taxes			
of \$1.8, (\$1.9) and \$0.0, respectively	3.0	(3.4)	(3.6)
Net income	\$16.3	\$26.0	\$2.2
Net income from continuing operations per share - basic and diluted	\$0.52	\$1.17	\$0.23
Net income (loss) from discontinued operations per share - basic and diluted	\$0.12	\$(0.14)	\$(0.15)
Net income per share - basic and diluted	\$0.64	\$1.04	\$0.09
Weighted average shares outstanding:			
Basic and diluted shares outstanding	24.5	24.1	23.5

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2016	2015
	(In millions)	
ASSETS		
Current Assets:		
Cash and equivalents	\$0.3	\$0.3
Trade accounts receivable, net	59.3	56.3
Inventories	81.0	64.3
Other current assets	9.5	7.3
Total current assets	150.1	128.2
Property, Plant and Equipment:		
Land	5.0	4.3
Building and improvements	29.7	26.5
Machinery and equipment	43.5	37.3
Gross property, plant and equipment	78.2	68.1
Less accumulated depreciation	53.3	50.9
Property, plant and equipment, net	24.9	17.2
Other Assets:		
Goodwill	9.5	6.3
Other	7.5	1.7
Deferred income taxes	10.3	24.0
Total other assets	27.3	32.0
Total Assets	\$202.3	\$177.4

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2016	2015
	(In millions)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$1.0	\$1.2
Trade accounts payable	47.2	43.6
Deferred income taxes	—	4.9
Accrued compensation	6.8	5.5
Other accrued liabilities	15.1	13.8
Total current liabilities	70.1	69.0
Non-current Liabilities:		
Long-term debt, less current maturities	54.5	47.4
Other non-current liabilities	7.2	8.1
Total non-current liabilities	61.7	55.5
Shareholders' Equity:		
Preferred shares; \$.01 par (5,000,000 shares authorized)	—	—
Common shares; \$.01 par (50,000,000 shares authorized):		
25,638,862 shares issued and outstanding at December 31, 2016		
and 24,977,208 at December 31, 2015)	0.3	0.2
Additional paid-in capital	42.8	41.6
Retained earnings	27.4	11.1
Total shareholders' equity	70.5	52.9
Total Liabilities and Shareholders' Equity	\$202.3	\$177.4

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Outstanding at Par Value (In millions)	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Balance at January 1, 2014	\$0.2	\$ 39.8	\$ (17.1)	\$ 22.9
Net income and comprehensive income	—	—	2.2	2.2
Repurchase of shares of common stock	—	(0.8)	—	(0.8)
Stock compensation expense	—	1.4	—	1.4
Balance at December 31, 2014	0.2	40.4	(14.9)	25.7
Net income and comprehensive income	—	—	26.0	26.0
Repurchase of shares of common stock	—	(0.6)	—	(0.6)
Stock compensation expense	—	1.8	—	1.8
Balance at December 31, 2015	0.2	41.6	11.1	52.9
Net income and comprehensive income	—	—	16.3	16.3
Repurchase of shares of common stock	—	(0.4)	—	(0.4)
Stock compensation expense	0.1	1.6	—	1.7
Balance at December 31, 2016	\$0.3	\$ 42.8	\$ 27.4	\$ 70.5

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2016	2015	2014
	(In millions)		
Cash Flows From Operating Activities:			
Net income	\$16.3	\$26.0	\$2.2
Adjustments to reconcile net income to cash provided by operations:			
Net (income) loss from discontinued operations	(3.0)	3.4	3.6
Depreciation and amortization	3.9	3.0	3.1
Non-cash interest expense	0.4	0.4	0.3
Stock compensation expense	1.7	1.8	1.4
Deferred taxes	8.8	(19.1)	—
Gain on disposal of capital assets	—	(0.4)	—
Changes in operating assets and liabilities:			
Trade accounts receivable	(1.5)	(7.8)	(4.6)
Inventories	(14.6)	1.5	(0.7)
Trade accounts payable	2.7	4.2	(1.4)
Other	(0.7)	3.2	0.4
Cash provided by continuing operating activities	14.0	16.2	4.3
Cash provided by (used in) discontinued operating activities	3.0	0.9	(0.5)
Total cash provided by operating activities	17.0	17.1	3.8
Cash Flows From Investing Activities:			
Capital expenditures	(4.1)	(2.8)	(1.8)
Acquisition	(17.3)	—	—
Proceeds from disposition of capital assets	—	2.5	—
Cash used in investing activities	(21.4)	(0.3)	(1.8)
Cash Flows From Financing Activities:			
Payments of long-term debt and revolving credit debt agreements			
	(198.3)	(183.8)	(205.2)
Borrowings of long-term debt and revolving credit debt agreements			
	204.3	169.1	205.6
Repayments of capital lease and other obligations	(1.2)	(1.7)	(1.7)
Repurchase of shares of common stock	(0.4)	(0.6)	(0.8)
Cash provided by (used in) financing activities	4.4	(17.0)	(2.1)
Net decrease in cash and equivalents	—	(0.2)	(0.1)
Cash and equivalents, beginning of year	0.3	0.5	0.6
Cash and equivalents, end of year	\$0.3	\$0.3	\$0.5
Supplemental Disclosure of Cash Flow Information:			
Interest paid	\$1.9	\$1.8	\$2.2

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Income taxes paid	0.4	—	—
Non-cash financing activities:			
Assets acquired with debt obligations	2.0	1.4	2.4
Debt issuance costs financed	—	—	0.6

See notes to consolidated financial statements

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HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(In Millions, Except Share and Per Share Data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Organization—Huttig Building Products, Inc. and its wholly owned subsidiary (the “Company” or “Huttig”) is a distributor of building materials used principally in new residential construction and in home improvement, remodeling and repair work. Huttig’s products are distributed through 27 distribution centers serving 41 states and are sold primarily to building materials dealers, national buying groups, home centers and industrial users including makers of manufactured homes.

Principles of Consolidation—The consolidated financial statements include the accounts of Huttig Building Products, Inc. and its wholly owned subsidiary. All inter-company accounts and transactions have been eliminated in consolidation.

Revenue Recognition—Revenues are recorded when title passes to the customer, which occurs upon delivery of product, less an allowance for returns, customer rebates and discounts for early payments. Returned products for which the Company assumes responsibility are estimated based on historical returns and are accrued as a reduction of sales at the time of the original sale.

Use of Estimates—The preparation of the Company’s consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes estimates including but not limited to the following financial statement items: allowance for doubtful accounts, slow-moving and obsolete inventory, lower of cost or market provisions for inventory, long-lived asset and goodwill impairments, contingencies including environmental liabilities, accrued expenses and self-insurance accruals, income tax expense and deferred taxes. Actual results may differ from these estimates.

Cash and Equivalents—The Company considers all highly liquid interest-earning investments with an original maturity of three months or less at the date of purchase to be cash equivalents. The carrying value of cash and equivalents approximates their fair value.

Accounts Receivable—Trade accounts receivable consist of amounts owed for orders shipped to customers and are stated net of an allowance for doubtful accounts. Huttig’s corporate management establishes an overall credit policy for sales to customers. The allowance for doubtful accounts is determined based on a number of factors including when customer accounts exceed 90 days past due and specific customer account reviews.

Inventory—Inventories are valued at the lower of cost or market. The Company's entire inventory is comprised of finished goods. The Company reviews inventories on hand and records a provision for slow-moving and obsolete inventory. The provision for slow-moving and obsolete inventory is based on historical and expected sales.

Approximately 91% of inventories were determined by using last-in, first-out ("LIFO") method of inventory valuation as of December 31, 2016 and December 31, 2015. The balance of all other inventories is determined by the average cost method. The FIFO cost would be higher than the LIFO valuation by \$13.4 million at December 31, 2016 and \$13.6 million at December 31, 2015.

Supplier Rebates—The Company enters into agreements with certain vendors providing for inventory purchase based rebates upon purchasing volumes. The Company accrues the receipt of rebates based on purchases and records vendor rebates as a reduction of the cost of inventory purchased.

Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets and is charged to operating expenses. Buildings and improvements lives range from 3 to 25 years. Machinery and equipment lives range from 3

to 10 years. The Company recorded depreciation expense of \$3.0 million, \$2.9 million and \$3.0 million in 2016, 2015 and 2014, respectively.

Goodwill—Goodwill for each reporting unit is reviewed for impairment annually or more frequently if certain indicators arise. The Company also reassesses useful lives of previously recognized intangible assets. The Company first assesses the qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company does not calculate the fair value of a reporting unit unless it determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. If the two-step quantitative test is deemed necessary, the Company calculates the fair value using multiple assumptions of its future operations to determine future discounted cash flows including but not limited to such factors as sales levels, gross margin rates, capital requirements and discount rates. The carrying value of goodwill is considered impaired when a reporting unit's fair value is less than its carrying value. In that event, goodwill impairment is recognized to the extent recorded goodwill exceeds the implied fair value of that goodwill. Our assumptions may change significantly in the future resulting in goodwill impairments in future periods. See Note 2, "Goodwill and Other Intangible Assets" for additional information.

Valuation of Long-Lived Assets—The Company periodically evaluates the carrying value of its long-lived assets, including intangible and other tangible assets, when events and circumstances warrant such a review. The carrying value of long-lived assets is considered impaired when the anticipated undiscounted cash flows from such assets are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Shipping and Handling—Costs associated with shipping and handling products to the Company's customers are charged to operating expense. Shipping and handling costs were \$30.2 million, \$28.8 million and \$30.3 million in 2016, 2015 and 2014, respectively.

Accounting For Stock-Based Compensation— The Company has stock-based compensation plans covering the majority of its employee groups and a plan covering the Company's Board of Directors. The Company accounts for share-based compensation utilizing the fair value recognition provisions. The Company recognizes compensation cost for equity awards on a straight-line basis over the requisite service period for the entire award. See Note 9, "Stock and Incentive Compensation Plans" for additional information.

Income Taxes—Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and when such amounts are recognized for tax purposes using currently enacted tax rates. A valuation allowance would be established to reduce deferred income tax assets if it is more likely than not that a deferred tax asset will not be realized. See Note 10, "Income Taxes" for additional information.

Net Income Per Share—Basic net income per share is computed by dividing income available to common stockholders by weighted average shares outstanding. Diluted net income per share reflects the effect of all other potentially dilutive common shares using the treasury stock method. See Note 11, "Basic and Diluted Net Income Per Share" for additional information.

Concentration of Credit Risk—The Company grants credit to customers, substantially all of whom are dependent upon the construction sector. The Company periodically evaluates its customers' financial condition but does not generally require collateral. Customers with high credit risk may be required to pay up front. A significant portion of our sales are concentrated with a relatively small number of our customers. Our top ten customers represented 43% of our sales

in 2016. The Company had a single customer representing 14% of total sales in 2016, 13% of total sales in 2015 and 12% of total sales in 2014. This customer is a buying group for multiple building material dealers.

Collective Bargaining Agreements—As of December 31, 2016, 13% of our employees were represented by eight collective bargaining agreements with three of the agreements currently in negotiations or expiring in 2017. With regard to the three expiring agreements, 8% of our employees were covered thereunder.

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Segments— Segment Reporting, defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. At December 31, 2016 and 2015, under the definition of a segment, each of our branches is considered an operating segment of our business. Operating segments may be aggregated if the operating segments have similar economic characteristics and if the nature of the products, distribution methods, customers and regulatory environments are similar. The Company has aggregated its branches into one reporting segment.

2. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets are reviewed for impairment annually or more frequently if certain indicators arise. In addition, the statement requires reassessment of the useful lives of previously recognized intangible assets.

The Company uses a two-step process for impairment testing of goodwill. During the fourth quarter in each of 2016, 2015 and 2014, the Company performed the annual test for impairment of its reporting units and there was no impairment of goodwill. The following table summarizes goodwill activity for the three years in the period ended December 31, 2016 (in millions):

	Goodwill	Accumulated Impairments	Goodwill, Net
Balance at January 1, 2014	\$ 18.1	\$ (11.8)	\$ 6.3
No activity in 2014	—	—	—
Balance at December 31, 2014	18.1	(11.8)	6.3
No activity in 2015	—	—	—
Balance at December 31, 2015	18.1	(11.8)	6.3
Addition in 2016	3.2	—	3.2
Balance at December 31, 2016	\$ 21.3	\$ (11.8)	\$ 9.5

Information regarding the Company's other amortizable intangible assets is as follows (in millions):

	Cost		Accumulated Amortization	
	2016	2015	2016	2015
Customer relationships	\$4.9	\$1.4	\$1.1	\$0.9
Trademarks	1.6	0.0	0.2	0.0
Other	1.6	0.0	0.4	0.0
Total amortizable intangible assets (1)	\$8.1	\$1.4	\$1.7	\$0.9

(1) Amortizable intangible assets are included in “Other Assets.”

Customer relationships are amortized over 15 to 16 years. Trademarks are amortized over five years and other intangibles are amortized over three years.

The estimated intangible asset amortization expense, by year and in the aggregate, consisted of the following at December 31, 2016 (in millions):

	Amortization
2017	\$ 1.2
2018	1.2
2019	0.8
2020	0.6
2021	0.3
Thereafter	2.3
Total	\$ 6.4

3. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts consisted of the following (in millions):

	December 31,		
	2016	2015	2014
Balance at beginning of year	\$0.8	\$0.6	\$0.6
Provision charged to expense	—	0.3	0.2
Write-offs, less recoveries	(0.1)	(0.1)	(0.2)
Balance at end of year	\$0.7	\$0.8	\$0.6

The Company recorded bad debt expense of less than 0.1% of net sales in each of 2016, 2015 and 2014.

4. DEBT

Debt consisted of the following (in millions):

	December 31,	
	2016	2015
Revolving credit facility	\$52.2	\$46.1

Other obligations	3.3	2.5
Total debt	55.5	48.6
Less current portion	1.0	1.2
Long-term debt	\$54.5	\$47.4

Credit Facility—The Company has a \$160.0 million asset-based senior secured revolving credit facility (“credit facility”). Borrowing availability under the credit facility is based on eligible accounts receivable, inventory and real estate. The real estate component of the borrowing base amortizes monthly over 12.5 years on a straight-line basis. Borrowings under the credit facility are collateralized by substantially all of the Company’s assets and are subject to certain operating limitations applicable to a loan of this type, which, among other things, place limitations on indebtedness, liens, investments, mergers and acquisitions, dispositions of assets, cash dividends and transactions with affiliates. The credit facility matures on May 28, 2019 and all amounts borrowed are due and payable on that date.

At December 31, 2016, under the credit facility, the Company had revolving credit borrowings of \$52.2 million outstanding at a weighted average interest rate of 2.27% per annum, letters of credit outstanding totaling \$3.0 million, primarily for health and workers’ compensation insurance, and \$76.5 million of additional committed borrowing capacity. The Company pays an unused commitment fee of 0.25% per annum. In addition, the Company had \$3.3 million of capital leases and other obligations outstanding at December 31, 2016.

The sole financial covenant in the credit facility is the minimum fixed charge coverage ratio (“FCCR”) of 1.05:1.00 and must be tested by the Company only if the excess borrowing availability falls below an amount in the

range of \$12.5 million to \$20.0 million, depending on our borrowing base. FCCR must also be tested on a pro forma basis prior to consummation of certain significant business transactions outside our ordinary course of business, as defined in the agreement.

Maturities—At December 31, 2016, the aggregate scheduled maturities of debt were as follows (in millions):

2017	\$1.0
2018	0.9
2019	52.9
2020	0.4
2021	0.3
Total	\$55.5

The fair value of long-term debt, as calculated using the aggregate cash flows from principal and interest payments over the life of the debt, was approximately \$52.2 million and \$46.1 million at December 31, 2016 and 2015, respectively, based upon a discounted cash flow analysis using current market interest rates. The fair value measurement inputs for long-term debt are classified as Level 3 (unobservable inputs) in the valuation hierarchy.

5. PREFERRED SHARES

The Company has authorized 5.0 million shares of \$0.01 par value preferred stock, of which 400,000 shares have been designated as Series A Junior Participating Preferred Stock. No such shares have been issued. See Note 13, “Rights Agreement” for information concerning a rights agreement pursuant to which shares of the Series A Junior Participating Preferred Stock may be issued.

6. OTHER ACCRUED LIABILITIES

The Company has other accrued liabilities at December 31, 2016 and December 31, 2015 of \$15.1 million and \$13.8 million, respectively. Liabilities for self-insurance accruals were \$3.8 million and \$4.3 million, amounts due for sales incentive programs were \$5.3 million and \$4.2 million and deferred rent was \$0.6 million and \$0.8 million at December 31, 2016 and 2015, respectively.

7. COMMITMENTS AND CONTINGENCIES

The Company leases certain of its vehicles, equipment and distribution facilities from various third parties with non-cancelable operating leases with various terms. Certain leases contain renewal or purchase options. Future minimum payments, by year, and in the aggregate, under these leases with initial terms of one year or more consisted of the following at December 31, 2016 (in millions):

	Non-cancelable Operating Leases	Minimum Sublease Income	Net
2017	\$ 10.3	\$ (0.4)	\$9.9
2018	8.9	(0.1)	8.8
2019	7.2	(0.1)	7.1
2020	4.6	—	4.6
2021	2.8	—	2.8
Thereafter	1.0	—	1.0
Total minimum lease payments	\$ 34.8	\$ (0.6)	\$34.2

Operating lease obligations expire in varying amounts through 2022. Rental expense for all operating leases was \$13.6 million, \$13.3 million and \$13.3 million in 2016, 2015 and 2014, respectively. Sublease income was \$0.9 million, \$0.9 million and \$0.8 million in 2016, 2015 and 2014, respectively.

The Company carries insurance policies with coverage and other terms that it believes to be appropriate. The Company generally has self-insured retention limits and has obtained fully insured layers of coverage above such self-insured retention limits. Accruals for self-insurance losses are made based on claims experience. Liabilities for existing and unreported claims are accrued for when it is probable that future costs will be incurred and can be reasonably estimated.

The Company is required to remediate a property formerly owned in Montana pursuant to a unilateral administrative order issued by the DEQ. On February 18, 2015, the DEQ issued an amendment to the unilateral administrative order of the DEQ outlining the final remediation of the property in its ROD. Under the ROD, the DEQ estimated the remediation costs of the property to be \$8.3 million.

The Company submitted a comprehensive final RAWP in September 2015 that was approved by the DEQ. During the process of finalizing the RAWP in the third quarter of 2015 the Company considered a multitude of factors including, but not limited to, consultation with third party experts, the evaluation of remedial action alternatives, and discussions with DEQ. The culmination of the information, data, and risk analysis resulted in excluding certain potential cost saving remedial action alternatives from the final RAWP that had been previously proposed for inclusion in the RAWP. Eliminating these potential cost savings remedial action alternatives from the final RAWP caused the Company to reassess the total estimated remediation costs of the project. The Company estimates the total remaining cost of implementing the RAWP to be \$7.1 million at December 31, 2016 with respect to the contingent liability as compared to \$8.0 million at December 31, 2015.

The Company is currently implementing the RAWP and has commenced field work at the Montana site subject to DEQ oversight and approval.

As of December 31, 2016, the Company believes the accrual represents a reasonable best estimate of the total remaining remediation costs, based on facts, circumstances, and information currently available to Huttig. However, there are currently unknown variables relating to the actual levels of contaminants and amounts of soil that will ultimately require treatment or removal and as part of the remediation process, additional soil and groundwater sampling, and bench and pilot testing is required to ensure the remediation will achieve the projected outcome required by the DEQ. Potential indemnification or other claims we may be able to assert against third parties and possible insurance coverage have also been considered but any potential recoveries have not been recognized at this time. The ultimate final amount of remediation costs and expenditures are difficult to estimate with certainty and as a result, the amount of actual costs and expenses ultimately incurred by Huttig with respect to this property could be lower than, or exceed the amount accrued as of December 31, 2016 by a material amount and could have a material adverse effect on our liquidity, financial condition or operating results of any fiscal quarter or year in which estimated costs or additional expenses are, or not incurred.

On June 29, 2015, certain private plaintiffs owning properties adjacent to the Montana site sued the Company, Crane Co., and other defendants in the Montana Fourth Judicial District Court seeking remediation of the property in excess of what is contemplated by the ROD and other damages (the "Montana Lawsuit"). The Company has entered into a settlement agreement which has been recorded in the financial statements at December 31, 2016.

In addition, some of the Company's current and former distribution centers are located in areas of current or former industrial activity where environmental contamination may have occurred, and for which the Company, among others, could be held responsible. The Company currently believes that there are no material environmental liabilities at any of its distribution center locations.

The Company accrues expenses for contingencies when it is probable that an asset has been impaired or a liability has been incurred and management can reasonably estimate the expense. Contingencies for which the Company has made

accruals include environmental, product liability and other legal matters. It is possible, however, that actual expenses could, or could not exceed our accrual by a material amount which could have a material adverse effect on the Company's future liquidity, financial condition or operating results in the period in which any such additional expenses are incurred or recognized.

8. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans—The Company sponsors a qualified defined contribution plan covering substantially all its employees. The plan provides for Company matching contributions based upon a percentage of the employee's voluntary contributions. The Company reinstated the matching contributions in July 2016, which had been suspended in January 2009. The Company's matching contribution in 2016 was \$0.6 million.

Defined Benefit Plans—The Company participates in several multi-employer pension plans that provide benefits to certain employees under collective bargaining agreements. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and (3) if the Company chooses to stop participating in some of its multi-employer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The Company's total contributions to these plans were \$0.8 million, \$1.0 million, and \$0.6 million in the years ended December 31, 2016, 2015, and 2014, respectively. A majority of the contributions were to the Western Conference of Teamsters Pension Plan. The Company does not contribute more than 5% percent of total contributions for any of these multi-employer pension plans. The Company's participation in the multi-employer pension plans as of December 31, 2016 is outlined in the table below.

Legal Name of Plan	EIN - Plan Number	Pension Protection Act Zone Status	Financial Improvement Plan	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement	12/31/2016 Company Participants
Western Conference of Teamsters Pension Plan	91-6145047 - 001	Funded > 80%	No	No	12/31/2016 to 4/30/2018	92
Southern California Lumber Industry Retirement Fund	95-6035266 - 001	Funded > 80%	No	No	6/30/2017	17
Central States, Southeast and Southwest Areas Pension Plan	36-6044243 - 001	Funded < 65%	Implemented	No	12/27/2020	3

During 2015, Huttig completely withdrew employees from an existing multi-employer pension plan with the Central States Pension Fund, or the "Pension Fund," and entered into a new agreement with the Pension Fund, which adopted an alternative method for determining an employer's unfunded obligation that would limit Huttig's funding obligations to the Pension Fund in the future. As part of the agreement, Pension Fund participants were moved to a new pension plan sponsored by the Pension Fund. In connection with the complete withdrawal from the Pension Fund, Huttig was subject to a withdrawal liability of approximately \$0.4 million which was paid in December 2015.

9. STOCK AND INCENTIVE COMPENSATION PLANS

Incentive Compensation Plan

The Company's EVA Incentive Compensation Plan was terminated effective upon the stockholders' approval of the 2015 amendment to the Company's 2005 Executive Incentive Compensation Plan, which was adopted in 2005 and subsequently amended in 2007, 2009, 2012, and 2015 ("2005 Plan"). Instead, performance-based goals for 2015 annual cash incentive awards were adopted under the new amended plan, and awards issued thereunder subject to the limitations set forth in the plan. The Company recorded \$1.4 million, \$1.3 million and \$1.0 million in expense related to compensation plans in the years ended December 31, 2016, 2015 and 2014, respectively.

In 2016, the Company adopted a long-term performance based plan and defined contribution supplemental retirement plan and incurred \$0.3 million in total expense for the year ended December 31, 2016 for these plans.

2005 Executive Incentive Compensation Plan

Under the Company's 2005 Plan, incentive awards of up to 6,125,000 shares of common stock may be granted. The 2005 Plan allows the Company to grant awards to key employees, including restricted stock awards,

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stock options, other stock-based incentive awards and cash based incentive awards subject primarily to the requirement of continued employment. Awards under the 2005 Plan are available for grant over a ten-year period unless terminated earlier by the Board of Directors. No options were issued in 2016, 2015 or 2014. The Company granted 756,492, 500,468, and 456,253 shares of restricted stock in 2016, 2015, and 2014, respectively. No monetary consideration is paid to the Company by employees who receive restricted stock. The restricted shares vest ratably over three to five years. Restricted stock can be granted with or without performance restrictions.

2005 Non-Employee Directors' Restricted Stock Plan

Under the Company's 2005 Non-Employee Directors' Restricted Stock Plan, which was adopted in 2005 and subsequently amended in 2007, 2009, 2012, and 2015, incentive awards of up to 575,000 shares of common stock may be granted. Awards under this plan are available for grant over a ten-year period expiring March 31, 2025, unless terminated earlier by the Board of Directors. The Company granted 53,274 and 90,820 shares of restricted stock in 2016 and 2015, respectively. The Company granted 20,688 restricted stock units in 2014. These grants vest approximately one year later on the date of the following annual stockholders' meeting on which they are granted.

Accounting For Stock-Based Compensation

The Company recognized approximately \$1.7 million, \$1.8 million, and \$1.4 million in non-cash stock compensation expense for restricted stock awards in 2016, 2015 and 2014, respectively.

At December 31, 2016, the Company had 1,037,233 shares available for future awards under all of its stock compensation plans. The Company issued 373,595 shares of restricted stock in 2017.

Stock Options

The Company did not grant stock options in 2016, 2015 or 2014. There are no outstanding stock options at December 31, 2016.

Restricted Stock and Restricted Stock Units

Restricted stock grants are recorded as unearned compensation on the date of grant in additional paid in capital at fair market value. The unearned compensation is being amortized to expense over the requisite service periods.

The following summary presents the information regarding the restricted stock and restricted stock units for the three years in the period ended December 31, 2016:

	Shares (000's)	Weighted Average Grant Date Fair Value	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (000's)	Average Remaining Vesting Period (months)	Unrecognized Compensation Expense (000's)
Outstanding at January 1, 2014	1,808	\$ 1.48				
Granted	477	3.64				
Restricted stock vested	(862)	1.13				
Forfeited	(19)	1.37				
Outstanding at December 31, 2014	1,404	2.44				
Granted	591	3.24				
Restricted stock vested	(781)	2.03				
Forfeited	(116)	3.45				
Outstanding at December 31, 2015	1,098	3.16				
Granted	810	3.94				
Restricted stock vested	(552)	2.75				
Forfeited	(7)	3.28				
Outstanding at December 31, 2016	1,349	\$ 3.64	8.3	\$ 8,825	7.7	\$ 2,973
Restricted stock and restricted stock units						
vested at December 31, 2016	134	\$ 2.56	N/A	\$ 874	N/A	N/A

10. INCOME TAXES

The provision for income taxes, relating to continuing operations, is composed of the following as of December 31, 2016, 2015, and 2014 (in millions):

	2016	2015	2014
Current:			
U.S. Federal expense (benefit)	\$0.1	\$(0.1)	\$(0.1)
State and local tax	0.3	0.1	0.1
Total current	0.4	—	—
Deferred:			
U.S. Federal tax	6.9	(16.4)	—
State and local tax	(0.1)	(0.8)	—
Total deferred	6.8	(17.2)	—
Total income tax	\$7.2	\$(17.2)	\$—

A reconciliation of income taxes based on the application of the statutory federal income tax rate to income taxes as set forth in the consolidated statements of income follows for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Federal statutory rate	35.0%	35.0 %	35.0 %
Increase (decrease) in taxes resulting from:			
State and local taxes	2.0	2.0	2.0
Nondeductible items	0.8	1.9	4.5
Other, net	(0.1)	(0.8)	(1.7)
Change in valuation allowance	(2.4)	(177.9)	(39.5)
Effective income tax rate	35.3 %	(139.8)%	0.3 %

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At December 31, 2016, our valuation allowance on deferred tax assets was approximately \$6.4 million compared to \$7.2 million at December 31, 2015. At December 31, 2016 and 2015, the valuation allowance primarily relates to individual state net operating loss carryforwards that are not more likely than not to be realized in future periods. At December 31, 2014, the Company maintained a full valuation allowance on its net deferred tax asset position. In each reporting period, we assess the available positive and negative evidence to estimate if sufficient future taxable income would be generated to utilize the existing deferred tax assets. Our history of operating losses limits the weight we applied to other subjective evidence such as our projections for future profitability in certain states. Before we change our judgment on the need for a full valuation allowance, a sustained period of operating profitability is required.

In 2016, our net income improvement and future projections allowed us to release and benefit from \$0.8 million in reduction in valuation allowance on certain state net operating loss carryforwards. In 2015, our operations were in a position of three year cumulative profits. We concluded that as a result of (i) our cumulative profits, (ii) achieving full year profitability in 2013 and 2014, (iii) the issuance of the DEQ final record of decision on our formerly owned property in Montana and our subsequent completion of the final RAWP approved by DEQ, (iv) our 2015 business results, and (v) our projections of continued profitability for 2016 and beyond, that it is more likely than not that a significant portion of our deferred tax assets will be realized. Accordingly, in 2015, we released a significant portion of our valuation allowance on our net deferred tax assets, resulting in a \$22.5 million benefit in our provision for income taxes.

The income tax expense from continuing operations for 2016 was \$7.2 million on income before taxes of \$20.5 million. The income tax expense from discontinued operations for 2016 was \$1.8 million on a net income before taxes of \$4.8 million. For 2015, income tax benefit of \$17.2 million was recorded on income of \$12.2 million. In 2016, the difference between our effective tax rate and the U.S. statutory rate was primarily due to the release of a portion of the valuation allowance on our net deferred tax assets, as discussed above. In 2015, the difference between our effective tax rate and the U.S. statutory rate was primarily due to the release of a significant portion of the valuation allowance on our net deferred tax assets, as discussed above.

At December 31, 2016, the Company had gross deferred tax assets of \$25.9 million and a valuation allowance \$6.4 million, netting to deferred tax assets of \$19.5 million. The Company had deferred tax liabilities of \$9.2 million at December 31, 2016. The Company had \$10.3 and \$19.1 million net deferred tax assets at December 31, 2016 and 2015, respectively. The change in net deferred tax assets related to the continued utilization of net operating loss carryforwards offsetting taxable income in 2016.

Deferred income taxes at December 31, 2016 and 2015 are comprised of the following (in millions):

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Income tax loss carryforwards	\$15.4	\$ —	\$24.1	\$ —
Other accrued liabilities	3.4	—	3.5	—
Employee benefits related	2.6	—	2.5	—
Property, plant and equipment	1.3	—	1.4	—
Insurance related	0.9	—	1.2	—
Goodwill	0.6	—	0.7	—

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Inventories	1.2	—	1.0	—
Accounts receivables	0.2	—	0.3	—
LIFO	—	8.6	—	8.0
Other	0.3	0.6	0.1	0.5
Gross deferred tax assets and liabilities	25.9	9.2	34.8	8.5
Valuation allowance	(6.4)	—	(7.2)	—
Total	\$ 19.5	\$ 9.2	\$ 27.6	\$ 8.5

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The Company has both federal and state tax loss carryforwards reflected above. The Company's federal tax loss carryforwards of approximately \$30 million will begin to expire in 2030. The Company has substantially concluded all U.S. federal income tax matters for years through 2008. The state tax loss carryforwards have expiration dates from 2016 to 2035. The Company has no material uncertain tax positions at December 31, 2016.

11. BASIC AND DILUTED NET INCOME PER SHARE

The Company calculates its basic income per share by dividing net income allocated to common shares outstanding by the weighted average number of common shares outstanding. Unvested shares of restricted stock participate in dividends on the same basis as common shares. As a result, these share-based awards meet the definition of participating securities and the Company applies the two-class method to compute earnings per share. The two-class method is an earnings allocation formula that treats participating securities as having rights to earnings that would otherwise have been available to common stockholders. In periods in which the Company has net losses, the losses are not allocated to participating securities because the participating security holders are not obligated to share in such losses. The following table presents the number of participating securities and earnings allocated to those securities for the years ended December 31, 2016, 2015 and 2014 (in millions):

	2016	2015	2014
Earnings allocated to participating shareholders	\$0.5	\$1.2	\$0.3
Number of participating securities	1.0	1.0	1.3

The diluted earnings per share calculations include the effect of the assumed exercise using the treasury stock method for both stock options and unvested restricted stock units, except when the effect would be anti-dilutive. The following table presents the number of common shares used in the calculation of net income per share from continuing operations for the periods ended December 31, 2016, 2015 and 2014 (in millions):

	2016	2015	2014
Weighted-average number of common shares-basic	24.5	24.1	23.5
Dilutive potential common shares	—	—	—
Weighted-average number of common shares-dilutive	24.5	24.1	23.5

The calculation of diluted earnings per common share for the years ended December 31, 2015 and 2014 excludes the impact of anti-dilutive stock options. The Company had no stock options outstanding at December 31, 2016.

12. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table provides selected consolidated financial information from continuing operations on a quarterly basis for each quarter of 2016 and 2015. The Company's business is seasonal and particularly sensitive to weather conditions. Interim amounts are therefore subject to significant fluctuations (in millions, except per share data).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2016					
Net sales	\$ 158.8	\$ 197.9	\$ 192.8	\$ 164.4	\$ 713.9
Gross margin	32.0	42.2	41.4	35.6	151.2
Operating expenses	28.9	32.2	33.6	33.8	128.5
Operating income	3.1	10.0	7.8	1.8	22.7
Net income from continuing operations	1.5	5.9	4.8	1.1	13.3
Net (loss) income from discontinued operations	(0.1)	4.5	(0.1)	(1.3)	3.0
Net income (loss) per share—Diluted					
Net income from continuing operations	\$ 0.06	\$ 0.23	\$ 0.19	\$ 0.04	\$ 0.52
Net income (loss) from discontinued operations	—	\$ 0.18	\$ —	\$ (0.05)	\$ 0.12
Net income	0.06	\$ 0.41	\$ 0.19	\$ (0.01)	\$ 0.64
2015					
Net sales	\$ 147.4	\$ 175.1	\$ 181.7	\$ 155.4	\$ 659.6
Gross margin	28.5	35.6	37.2	32.0	133.3
Operating expenses	27.9	30.0	30.8	30.5	119.2
Operating income	0.6	6.0	6.4	1.5	14.5
Net income from continuing operations	0.1	5.4	23.2	0.7	29.4
Net loss from discontinued operations	(0.1)	(0.3)	(2.7)	(0.3)	(3.4)
Net income (loss) per share—Diluted					
Net income from continuing operations	\$ —	\$ 0.21	\$ 0.92	\$ 0.03	\$ 1.17
Net loss from discontinued operations	—	\$ (0.01)	\$ (0.11)	\$ (0.01)	\$ (0.14)
Net income	—	\$ 0.20	\$ 0.82	\$ 0.02	\$ 1.04

13. RIGHTS AGREEMENT

On May 18, 2016, the Board of Directors (the “Board”) of the Company entered into a rights agreement (the “Rights Agreement”) with Computershare Trust Company, N.A. and declared a dividend of one preferred share purchase right (a “Right”) for each outstanding share of common stock, \$0.01 par value per share, of the Company. The dividend was payable upon the close of business on May 31, 2016 to the stockholders of record upon the close of business on that date. The Board adopted the Rights Agreement to protect stockholder value by attempting to reduce the risk that the Company's ability to use its net operating losses to reduce potential future federal income tax obligations may become substantially limited.

Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share (“Preferred Shares”), of the Company at a price of \$13.86 per one one-hundredth of a Preferred Share, subject to adjustment. As a result of the Rights Agreement, any person or group that acquires beneficial ownership of 4.99% or more of the Company’s common stock without the approval of the Board would be subject to significant dilution in the ownership interest of that person or group.

In connection with the entry into the Rights Agreement, on May 18, 2016, the Company filed with the Secretary of State of the State of Delaware an Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock to create the Preferred Shares.

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14. ACQUISITION

On April 4, 2016 the Company purchased the assets of BenBilt, a distributor and door fabricator in the Mid-Atlantic region for \$17.3 million, as a business combination. All transaction costs incurred as part of this acquisition were expensed. The Company recorded property, plant and equipment of \$4.5 million, goodwill of \$3.2 million and other intangible assets of \$6.7 million related to this acquisition.

15. DISCONTINUED OPERATIONS

The discontinued operations of the Company had no sales in 2016, 2015 or 2014. In 2016, income from discontinued operations of \$3.0 million was recorded which is primarily as a result of payments received from settlement agreements with insurers, as well as with Crane Co., in connection with the declaratory action filed in the United States court for the Eastern District of Missouri. In 2015, loss from discontinued operations of \$3.4 million was recorded which primarily related to changes in estimates associated with the future remediation and monitoring activities at the formerly owned property in Montana. In 2014, loss from discontinued operations of \$3.6 million was recorded which primarily related to changes in estimates associated with the future remediation and monitoring activities at the formerly owned property in Montana.

16. RECENT ACCOUNTING STANDARDS OR UPDATES NOT YET EFFECTIVE

In November 2015, the Financial Accounting Standards Board ("FASB") issued accounting guidance, "Balance Sheet Classification of Deferred Taxes" which removes the requirement to separate deferred tax liabilities and assets into current and noncurrent amounts and instead requires all such amounts be classified as noncurrent on the Statement of Financial Position. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted, including adoption in an interim period, for financial periods not yet reported. The standard may be adopted on a prospective or retrospective basis. Huttig adopted the standard in the fourth quarter of 2016 on a prospective basis. The December 31, 2015 financial statements were not retrospectively adjusted. The adoption of this guidance resulted in no material changes.

In March 2016, the FASB issued accounting guidance, "Improvements to Employee Share-Based Payment Accounting", which will simplify the income tax consequences, accounting for forfeitures and classification on the Statements of Consolidated Cash Flows. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. Huttig is required to adopt the standard in the first quarter of 2017. The Company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In May 2014, the FASB issued accounting guidance, "Revenue from Contracts with Customers" which has been further clarified and amended. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and clarify guidance for multiple-element arrangements. Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented or a modified retrospective approach with the cumulative effect of initially applying the new guidance recognized at the date of initial application within the Statement of Consolidated Financial Position. In August 2015, the FASB amended the guidance to allow for the deferral of the effective date of this standard. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Accordingly, Huttig is required to adopt this standard in the first quarter of fiscal year 2018. One-year early adoption is permitted. The Company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued accounting guidance, "Leases", which will supersede the existing lease guidance and will require all leases with a term greater than 12 months to be recognized in the statements of financial position and eliminate current real estate-specific lease guidance, while maintaining substantially similar classification criteria for distinguishing between finance leases and operating leases. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. This standard will be adopted on a modified retrospective basis. Huttig is required to adopt the standard in the first quarter of 2019. The Company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

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

None

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures—The Company, under the supervision and with the participation of our Disclosure Committee and management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2016 in all material respects in (a) causing information required to be disclosed by us in reports that we file or submit under the Exchange Act to be recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and (b) causing such information to be accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Control systems must reflect resource constraints and be cost-effective, can be undercut by simple errors and misjudgments, and can be circumvented by individuals within an organization. Because of these and other inherent limitations in all control systems, no matter how well they are designed, our disclosure controls and procedures and internal controls can provide reasonable, but not absolute, protection from error and fraud.

Management’s Report on Internal Control Over Financial Reporting—The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management’s assessment included an evaluation of the design of the Company’s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors. Based on our evaluation under the framework in Internal Control—Integrated Framework (2013), our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The Company acquired the assets of BenBilt. BenBilt had total assets representing 8.6 percent of consolidated assets, and total net sales representing 3.2 percent of consolidated net sales, as of and for the year ended December 31, 2016. Management’s assessment of the effectiveness of internal control over financial reporting did not include consideration of the internal controls associated with BenBilt.

There were no changes in the Company’s internal control over financial reporting during the Company’s fiscal fourth quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B—OTHER INFORMATION

None

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PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding executive officers and directors of Huttig is set forth in the Company's definitive proxy statement for its 2017 Annual Meeting of Stockholders (the "2017 Proxy Statement") under the captions "Executive Officers" and "Election of Directors," respectively, and is incorporated herein by reference. Information regarding Section 16(a) beneficial ownership reporting compliance is set forth in the 2017 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance," and is incorporated herein by reference.

The information regarding the Company's "audit committee financial expert" and identification of the members of the Audit Committee of the Company's Board of Directors is set forth in the 2017 Proxy Statement under the caption "Board Committees" and is incorporated herein by reference.

The Company adopted a Code of Business Conduct and Ethics applicable to all directors and employees, including the principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct and Ethics is available on the Company's website at www.huttig.com. The contents of the Company's website are not part of this Annual Report. Stockholders may request a free copy of the Code of Business Conduct and Ethics from:

Huttig Building Products, Inc.

Attention: Corporate Secretary

555 Maryville University Dr.

Suite 400

St. Louis, Missouri 63141

(314) 216-2600

The Company intends to post on its website any amendments to, or waivers from, its Code of Business Conduct and Ethics within two days of any such amendment or waiver.

ITEM 11—EXECUTIVE COMPENSATION

The information required by Item 11 is set forth in the 2017 Proxy Statement under the captions "Board of Directors and Committees of the Board of Directors," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" and is incorporated herein by reference.

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

Except as set forth below, the information required by Item 12 is set forth in the 2017 Proxy Statement under the captions “Beneficial Ownership of Common Stock by Directors and Management” and “Principal Stockholders of the Company,” and is incorporated herein by reference.

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Equity Compensation Plan Information

The following table presents information, as of December 31, 2016, for equity compensation plans under which the Company's equity securities are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	—	\$ —	1,037,233
Equity compensation plans not approved by security holders	—	N/A	—
Total	—	\$ —	1,037,233

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

The information required by Item 13 is set forth in the 2017 Proxy Statement under the caption “Certain Relationships and Related Transactions and Director Independence,” and is incorporated herein by reference.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is set forth in the 2017 Proxy Statement under the caption “Principal Accounting Firm Services and Fees,” and is incorporated herein by reference.

PART IV

ITEM 15—EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2016 and 2015

Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

2. Exhibits:

Exhibit Index

- 2.1 Distribution Agreement dated December 6, 1999 between Crane Co. and the Company. (Incorporated by reference to Exhibit No. 2.1 of Amendment No. 4 to the Company's Registration Statement on Form 10 (File No. 1-14982) filed with the Securities and Exchange Commission on December 6, 1999 (the "Form 10").)
- 3.1 Restated Certificate of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Form 10 filed on September 21, 1999.)
- 3.2 Amended and Restated Bylaws of the Company as amended as of September 26, 2007. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 28, 2007.)
- 3.3 Certificate of Designations of Series A Junior Participating Preferred Stock of the Company. (Incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.)
- 3.4 Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of Delaware on May 18, 2016. (Incorporated by reference to Exhibit 3.01 to the Company's Current Report on Form 8-K filed on May 20, 2016.)
- 4.1 Rights Agreement, dated as of May 18, 2016, by and between Huttig Building Products, Inc. and Computershare Trust Company, N.A., as Rights Agent. (Incorporated by reference to Exhibit 4.01 to the Company's Current Report on Form 8-K filed on May 20, 2016.)
- *10.1 Form of Indemnification Agreement for Executive Officers and Directors. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 4, 2005.)
- *10.2 2005 Executive Incentive Compensation Plan, Fourth Amendment and Restatement Effective April 27, 2015. (Incorporated by reference to Attachment B to the Definitive Proxy Statement filed on March 20, 2015.)
- *10.3 2005 Nonemployee Directors' Restricted Stock Plan, Third Amendment and Restatement Effective March 31, 2015. (Incorporated by reference to Attachment A to the Definitive Proxy Statement filed on March 20, 2015.)
- *10.4 Form of Restricted Stock Agreement under 2005 Executive Incentive Compensation Plan as amended (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for quarter ended June 30, 2015.)
- *10.5 Form of Restricted Stock Agreement under the 2005 Nonemployee Directors' Restricted Stock Plan, as amended (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.)
- *10.6 Amended and Restated Executive Agreement between the Company and Jon P. Vrabely effective as of June 24, 2008. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
- *10.7 Amendment No. 1 to Amended and Restated Executive Agreement between the Company and Jon P. Vrabely effective September 28, 2009. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report

on Form 10-Q for the quarter ended September 30, 2009.)

- *10.8 Form of Letter Amendment to Change in Control Agreements. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.)
- *10.9 Amendment No. 2 to Amended and Restated Executive Agreement between the Company and Jon P. Vrabely effective as of April 12, 2010. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.)
- *10.10 Amendment No. 3 to Amended and Restated Executive Agreement between the Company and Jon P. Vrabely effective as of November 21, 2011. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.)

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- *10.11 Amendment No. 4 to Amended and Restated Executive Agreement between the Company and Jon P. Vrabely effective as of September 23, 2013. (Incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013.)
- *10.12 Amendment No. 5 to Amended and Restated Executive Agreement between the Company and Jon P. Vrabely effective as of June 2, 2014. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.)
- 10.13 Amended and Restated Revolving Credit Agreement dated as of September 3, 2010, among the Company, Huttig, Inc., General Electric Capital Corporation, as agent, co-syndication agent and lender and the other lenders signatory thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 10, 2010.)
- 10.14 First Amendment to Amended and Restated Revolving Credit Agreement dated as of October 31, 2011, by and among the Company, Huttig, Inc., General Electric Capital Corporation and Wells Fargo Capital Finance, LLC. (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.)
- 10.15 Second Amendment to Amended and Restated Credit Agreement dated as of December 21, 2012, by and among the Company, Huttig, Inc., General Electric Capital Corporation and the other lenders signatory thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2012.)
- 10.16 Third Amendment to Amended and Restated Credit Agreement dated as of May 28, 2014, by and among the Company, Huttig, Inc., General Electric Capital Corporation and the other lenders signatory thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 29, 2014.)
- 10.17 Fourth Amendment to Amended and Restated Credit Agreement dated as of March 21, 2016, by and among the Company, Huttig, Inc., Wells Fargo Capital Finance, LLC and the other parties signatory thereto. (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 10-Q filed on May 3, 2016.)
- 10.18 Fifth Amendment to Amended and Restated Credit Agreement dated as of January 27, 2017, by and among the Company, Huttig, Inc., Wells Fargo Capital Finance, LLC and the other parties signatory thereto.
- *10.19 Separation Agreement dated May 29, 2015, by and between Philip Keipp and the Company (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.)
- *10.20 Amended and Restated Executive Agreement between the Company and Jon P. Vrabely effective as of March 16, 2016. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 18, 2016.)
- *10.21 Form of Change in Control Agreement. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
- *10.22

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Form of Restricted Stock Award Agreement for Jon P. Vrabely. (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).

*10.23 Form of Cash Long Term Incentive Plan Award Agreement for Jon P. Vrabely. (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).

*10.24 Principal SERP Select Adoption Agreement executed May 18, 2016 by the Company. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).

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- *10.25 Split Dollar Insurance Agreement Endorsement Method between the Company and Jon P. Vrabely dated May 18, 2016. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).
- 21.1 Subsidiary
- 23.1 Consent of KPMG LLP, independent registered public accounting firm
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

*Management contract or compensatory plan or arrangement.

SIGNATURES

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

HUTTIG BUILDING PRODUCTS, INC.

By: /s/ Jon P. Vrabely
 President and Chief Executive Officer (Principal Executive Officer)

Date: March 2, 2017

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

Signature	Title	Date
/s/ Jon P. Vrabely Jon P. Vrabely	President, Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2017
/s/ Oscar A. Martinez Oscar A. Martinez	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 2, 2017
/s/ Delbert H. Tanner Delbert H. Tanner	Chairman of the Board	March 2, 2017
/s/ Donald L. Glass Donald L. Glass	Director	March 2, 2017
/s/ James F. Hibberd James F. Hibberd	Director	March 2, 2017
/s/ Gina G. Hoagland Gina G. Hoagland	Director	March 2, 2017
/s/ Patrick L. Larmon Patrick L. Larmon	Director	March 2, 2017
/s/ J. Keith Matheney J. Keith Matheney	Director	March 2, 2017

