PATRICK INDUSTRIES INC
Form 10-Q
November 07, 2014

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 28, 2014

OR

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

For the transition period from …… to ……

Commission file number 000-03922

PATRICK INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

INDIANA	**35-1057796**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

107 WEST FRANKLIN STREET, P.O. Box 638, ELKHART, IN	**46515**
(Address of principal executive offices)	(ZIP Code)

(574) 294-7511
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Yes [X] 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 [X] No [ ]

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

Large accelerated filer [ ] Accelerated filer [X] 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 [X]

As of October 24, 2014, there were 10,381,663 shares of the registrant's common stock outstanding.

PATRICK INDUSTRIES, INC.

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PART 1: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PATRICK INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(thousands)	As of **Sept. 28, 2014**	Dec. 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	**$2,712**	$34
Trade receivables, net	**44,076**	22,644
Inventories	**76,989**	56,510
Deferred tax assets	**4,095**	3,762
Prepaid expenses and other	**3,566**	4,749
Total current assets	**131,438**	87,699
Property, plant and equipment, at cost	**115,848**	101,060
Less accumulated depreciation	**62,185**	58,943
Property, plant and equipment, net	**53,663**	42,117
Goodwill	**28,392**	16,495
Intangible assets, net of accumulated amortization (2014: $8,676; 2013: $5,640)	**48,202**	25,611
Deferred financing costs, net of accumulated amortization (2014: $1,672; 2013: $1,405)	**1,109**	1,283
Other non-current assets	**1,005**	982
TOTAL ASSETS	**$263,809**	$174,187
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	**$36,334**	$18,826
Accrued liabilities	**13,821**	13,585
Total current liabilities	**50,155**	32,411
Long-term debt	**107,261**	55,000
Deferred compensation and other	**2,444**	2,546
Deferred tax liabilities	**2,273**	1,920
TOTAL LIABILITIES	**162,133**	91,877
SHAREHOLDERS' EQUITY		
Common stock	**54,800**	53,863
Additional paid-in-capital	**7,590**	6,604
Accumulated other comprehensive income	**54**	54

Retained earnings	**39,232**	21,789
TOTAL SHAREHOLDERS' EQUITY	**101,676**	82,310
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$263,809**	$174,187

See accompanying Notes to Condensed Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Third Quarter Ended		Nine Months Ended	
(thousands except per share data)	**Sept. 28, 2014**	Sept. 29, 2013	**Sept. 28, 2014**	Sept. 29, 2013
NET SALES	**$188,138**	$146,623	**$546,143**	$448,319
Cost of goods sold	**158,110**	124,800	**457,149**	378,900
GROSS PROFIT	**30,028**	21,823	**88,994**	69,419
Operating Expenses:				
Warehouse & delivery	**6,842**	5,293	**19,613**	14,539
Selling, general & administrative	**9,339**	7,001	**26,604**	21,411
Amortization of intangible assets	**1,408**	548	**3,036**	1,588
(Gain) loss on sale of fixed assets	**(51)**	6	**(27)**	(424)
Total operating expenses	**17,538**	12,848	**49,226**	37,114
OPERATING INCOME	**12,490**	8,975	**39,768**	32,305
Interest expense, net	**694**	541	**1,750**	1,615
Income before income taxes	**11,796**	8,434	**38,018**	30,690
Income taxes	**4,542**	2,982	**14,637**	11,662
NET INCOME	**$7,254**	$5,452	**$23,381**	$19,028
BASIC NET INCOME PER COMMON SHARE	**$0.68**	$0.51	**$2.19**	$1.77
DILUTED NET INCOME PER COMMON SHARE	**$0.68**	$0.51	**$2.18**	$1.76
Weighted average shares outstanding - Basic	**10,657**	10,655	**10,689**	10,759
- Diluted	**10,720**	10,697	**10,744**	10,800

See accompany Notes to Condensed Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(thousands)	Nine Months Ended **Sept. 28, 2014**	**Sept. 29, 2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$23,381**	$19,028
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**4,282**	3,628
Amortization of intangible assets	**3,036**	1,588
Stock-based compensation expense	**2,460**	924
Deferred compensation expense	**247**	231
Deferred income taxes	**20**	3,730
Gain on sale of fixed assets	**(27)**	(424)
Decrease in cash surrender value of life insurance	**20**	68
Deferred financing amortization	**267**	312
Change in operating assets and liabilities, net of business acquisitions:		
Trade receivables	**(15,175)**	(14,311)
Inventories	**(8,305)**	(6,819)
Prepaid expenses and other	**1,382**	(914)
Accounts payable and accrued liabilities	**11,852**	14,704
Payments on deferred compensation obligations	**(240)**	(293)
Net cash provided by operating activities	**23,200**	21,452
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(4,184)**	(5,214)
Proceeds from sale of property, equipment and facility	**97**	1,009
Business acquisitions	**(62,620)**	(16,544)
Other	**(43)**	(42)
Net cash used in investing activities	**(66,750)**	(20,791)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt borrowings, net	**52,261**	13,284
Payment of deferred financing costs	**(93)**	(100)
Stock repurchases under buyback program	**(6,928)**	(6,078)
Realization of excess tax benefit on stock-based compensation	**1,071**	2,363
Proceeds from exercise of stock options, including tax benefit	**26**	64
Payments on capital lease obligations	**(109)**	(118)
Net cash provided by financing activities	**46,228**	9,415
Increase in cash and cash equivalents	**2,678**	10,076
Cash and cash equivalents at beginning of year	**34**	434
Cash and cash equivalents at end of period	**$2,712**	$10,510

See accompany Notes to Condensed Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

In the opinion of Patrick Industries, Inc. ("Patrick" or the "Company"), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the Company's financial position as of September 28, 2014 and December 31, 2013, and its results of operations and cash flows for the three and nine months ended September 28, 2014 and September 29, 2013.

Patrick's unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules or regulations. For a description of significant accounting policies used by the Company in the preparation of its consolidated financial statements, please refer to Note 2 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. The December 31, 2013 condensed consolidated statement of financial position data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Operating results for the third quarter and nine months ended September 28, 2014 are not necessarily indicative of the results to be expected for the year ending December 31, 2014.

In preparation of Patrick's condensed consolidated financial statements as of and for the third quarter and nine months ended September 28, 2014, management evaluated all material subsequent events or transactions that occurred after the balance sheet date through the date of issuance of the Form 10-Q for potential recognition or disclosure in the consolidated financial statements. See Notes 6 and 13 for events that occurred subsequent to the balance sheet date.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue from contracts with customers, which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The guidance is effective for the Company in the first quarter of 2017 and early adoption is not permitted.

The guidance permits two methods of transition upon adoption: full retrospective and modified retrospective. Under the full retrospective method, prior periods would be restated under the new revenue standard, providing a comparable view across all periods presented. Under the modified retrospective method, prior periods would not be restated. Rather, revenues and other disclosures for pre-2017 periods would be provided in the notes to the financial statements as previously reported under the current revenue standard. The impact from the adoption of this guidance on the Company's Condensed Consolidated Financial Statements cannot be determined at this time. The Company is also working to determine the appropriate method of transition to the guidance.

Stock Compensation

In June 2014, the FASB issued revised guidance on accounting for share-based payments that will require that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. The revised guidance is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the provisions of this guidance and has not yet determined the impact, if any, that the implementation of this guidance will have on its results of operations or financial condition.

3. INVENTORIES

Inventories are stated at the lower of cost (First-In, First-Out (FIFO) Method) or market and consist of the following classes:

(thousands)	**Sept. 28, 2014**	Dec. 31, 2013
Raw materials	**$43,428**	$24,135
Work in process	**5,390**	4,870
Finished goods	**4,329**	3,877
Less: reserve for inventory obsolescence	**(1,647)**	(938)
Total manufactured goods, net	**51,500**	31,944
Materials purchased for resale (distribution products)	**26,318**	24,904
Less: reserve for inventory obsolescence	**(829)**	(338)
Total materials purchased for resale (distribution products), net	**25,489**	24,566
Total inventories	**$76,989**	$56,510

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill and other intangible assets are allocated to the Company’s reporting units at the date they are initially recorded. Goodwill and indefinite-lived intangible assets are not amortized but are subject to an impairment test based on their estimated fair value performed annually in the fourth quarter (or under certain circumstances more frequently as warranted). Goodwill impairment testing is performed at the reporting unit level, one level below the business

segment. The Company's Manufacturing segment includes goodwill originating from the acquisitions of Gravure Ink (acquired in the Adorn Holdings, Inc. acquisition), Quality Hardwoods Sales ("Quality Hardwoods"), A.I.A. Countertops, LLC ("AIA"), Infinity Graphics, Décor Mfg., LLC ("Décor"), Creative Wood Designs, Inc. ("Creative Wood"), Middlebury Hardwood Products, Inc. ("Middlebury Hardwoods"), Frontline Mfg., Inc. ("Frontline"), Premier Concepts, Inc. ("Premier"), Precision Painting Group ("Precision"), Foremost Fabricators, LLC ("Foremost"), and PolyDyn3, LLC ("PolyDyn3"). While Gravure Ink, AIA, Infinity Graphics, Décor, Creative Wood, Middlebury Hardwoods, Frontline, Premier, Precision, Foremost, and PolyDyn3 remain reporting units of the Company for which impairment is assessed, Quality Hardwoods is assessed for impairment as part of the Company's hardwood door reporting unit. The Company's Distribution segment includes goodwill originating from the acquisitions of Blazon International Group ("Blazon"), John H. McDonald Co., Inc. d/b/a West Side Furniture ("West Side"), and Foremost, which remain reporting units for which impairment is assessed.

Finite-lived intangible assets that meet certain criteria continue to be amortized over their useful lives and are also subject to an impairment test based on estimated undiscounted cash flows when impairment indicators exist. The Company assesses finite-lived intangible assets for impairment if events or changes in circumstances indicate that the carrying value may exceed the fair value.

No impairment was recognized during the third quarter and nine months ended September 28, 2014 related to goodwill, indefinite-lived intangible assets or finite-lived intangible assets. There have been no material changes to the method of evaluating impairment related to goodwill and indefinite-lived intangible assets during the third quarter of 2014.

In early June 2014, the Company acquired the business and certain assets of Bremen, Indiana and Elkhart, Indiana-based Precision. The purchase was determined to be a business combination and the intangible assets recorded as a result of the acquisition included (in thousands): customer relationships - $2,904; trademarks - $483; non-compete agreements - $1,105; and goodwill - $3,693. The goodwill recognized in this transaction is expected to be deductible for income tax purposes. Precision is included in the Manufacturing segment. See Note 5 for further details.

In late June 2014, the Company acquired the business and certain assets of Goshen, Indiana-based Foremost. The purchase was determined to be a business combination and the intangible assets recorded as a result of the acquisition included (in thousands): customer relationships - $15,485; trademarks - $4,070; non-compete agreements - $1,350; and goodwill - $8,025. The goodwill recognized in this transaction is expected to be deductible for income tax purposes. The Foremost reporting units are included in the Manufacturing and Distribution segments. See Note 5 for further details.

In early September 2014, the Company acquired the business and certain assets of Elkhart, Indiana-based PolyDyn3. The purchase was determined to be a business combination and the intangible assets recorded as a result of the acquisition included (in thousands): customer relationships - $201; trademarks - $6; non-compete agreements - $23; and goodwill - $57. The goodwill recognized in this transaction is expected to be deductible for income tax purposes. PolyDyn3 is included in the Manufacturing segment. See Note 5 for further details.

Goodwill

Changes in the carrying amount of goodwill for the nine months ended September 28, 2014 by segment are as follows:

(thousands)	Manufacturing	Distribution	Total
Balance - December 31, 2013	$ 13,720	$ 2,775	$16,495
Acquisitions	**8,687**	**3,210**	**11,897**
Balance - September 28, 2014	**$ 22,407**	**$ 5,985**	**$28,392**

Other Intangible Assets

As of September 28, 2014, the remaining intangible assets balance of $48.2 million is comprised of $8.7 million of trademarks which have an indefinite life, and therefore, no amortization expense has been recorded, and $39.5 million pertaining to customer relationships and non-compete agreements which are being amortized over periods ranging from 3 to 19 years.

Other intangible assets, net consist of the following as of September 28, 2014 and December 31, 2013:

(thousands)	**Sept. 28, 2014**	Weighted Average Useful Life (years)	Dec. 31, 2013	Weighted Average Useful Life (years)
Customer relationships	**$42,258**	11	$23,668	11
Non-compete agreements	**5,895**	3	3,417	3
Trademarks	**8,725**		4,166	
	56,878		31,251	
Less: accumulated amortization	**(8,676)**		(5,640)	
Other intangible assets, net	**$48,202**		$25,611	

Changes in the carrying value of other intangible assets for the nine months ended September 28, 2014 by segment are as follows:

(thousands)	Manufacturing	Distribution	Total
Balance - December 31, 2013	$ 19,626	$ 5,985	$25,611
Acquisitions	**17,265**	**8,362**	**25,627**
Amoritization	**(2,156)**	**(880)**	**(3,036)**
Balance - September 28, 2014	**$ 34,735**	**$ 13,467**	**$48,202**

5. ACQUISITIONS

2014 Acquisitions

PolyDyn3

In early September 2014, the Company acquired the business and certain assets of Elkhart, Indiana-based PolyDyn3. PolyDyn3 is a custom fabricator of simulated wood and stone products such as headboards, fireplaces, ceiling medallions, columns and trims, for the recreational vehicle ("RV") market. The net purchase price was $1.3 million.

The acquisition provides the Company the opportunity to bring in-house new production capabilities and product lines that were previously represented through one of the Company's distribution business units, and gain additional penetration in the RV market sector. The results of operations for PolyDyn3 are included in the Company's condensed consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The excess of the purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which represents the value of leveraging the Company's existing purchasing, manufacturing, sales, and systems resources with the organizational talent and expertise of the PolyDyn3 team to maximize efficiencies, revenue impact, market share growth, and net income.

The acquisition was funded through borrowings under the Company's 2012 Credit Facility (as defined herein). Assets acquired and liabilities assumed in the acquisition were recorded on the Company's condensed consolidated statements of financial position at their estimated fair value as of the date of the acquisition. The preliminary purchase price allocation is subject to final approval and settlement of a working capital adjustment, and thus all required purchase accounting adjustments are expected to be finalized within the measurement period of up to one year. The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition:

(thousands)	
Trade receivables	$86
Inventories	194
Property, plant and equipment	683
Prepaid expenses	125
Accounts payable and accrued liabilities	(124)
Intangible assets	230
Goodwill	57
Total net purchase price	$1,251

Precision

In early June 2014, the Company acquired the business and certain assets of four related companies based in Bremen, Indiana and Elkhart, Indiana: Precision Painting, Inc., Carrera Custom Painting, Inc., Millennium Paint, Inc., and TDM Transport, Inc. (collectively referred to as “Precision Painting Group” or “Precision”). The Precision Painting Group is comprised of three full service exterior full body painting operations that offer exterior painting and interior refurbishing for both OEMs and existing RV and fleet owners, and a transportation operation that services their in-house customers. The net purchase price, which includes the subsequent purchase of five operating facilities from the sellers of Precision in July 2014 (per the June 2014 asset purchase agreement), was $16.0 million.

This acquisition provides the opportunity for the Company to establish a presence in the RV exterior full body painting market and increase its product offerings, market share and per unit content. The results of operations for Precision are included in the Company’s condensed consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The excess of the purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which represents the value of leveraging the Company’s existing purchasing, manufacturing, sales, and systems resources with the organizational talent and expertise of the Precision team to maximize efficiencies, revenue impact, market share growth, and net income.

The acquisition was funded through borrowings under the Company's 2012 Credit Facility. Assets acquired and liabilities assumed in the acquisition were recorded on the Company's condensed consolidated statements of financial position at their estimated fair values as of the date of the acquisition. The preliminary purchase price allocation is subject to final review and approval, and thus all required purchase accounting adjustments are expected to be finalized in the fourth quarter of 2014. The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition:

(thousands)	
Trade receivables	$1,425
Inventories	208
Property, plant and equipment	7,032
Prepaid expenses	10
Accounts payable and accrued liabilities	(847)
Intangible assets	4,492
Goodwill	3,693
Total net purchase price	$16,013

Foremost

In late June 2014, the Company acquired the business and certain assets of Goshen, Indiana-based Foremost, a fabricator and distributor of fabricated aluminum products, fiber reinforced polyester ("FRP") sheet and coil, and custom laminated products primarily used in the RV market, for a net purchase price of $45.4 million. This acquisition provides the opportunity for the Company to establish a presence in the laminated and fabricated roll formed aluminum products market and increase its product offerings, market share and per unit content. The results of operations for Foremost are included in the Company's condensed consolidated financial statements and the Manufacturing and Distribution operating segments from the date of acquisition. The excess of the purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which represents the value of leveraging the Company's existing purchasing, manufacturing, sales, and systems resources with the organizational talent and expertise of the Foremost team to maximize efficiencies, revenue impact, market share growth, and net income.

The acquisition was funded through borrowings under the Company's 2012 Credit Facility. Assets acquired and liabilities assumed in the acquisition were recorded on the Company's condensed consolidated statements of financial position at their estimated fair values as of the date of the acquisition. The preliminary purchase price allocation is subject to final review and approval, and thus all required purchase accounting adjustments are expected to be finalized in the fourth quarter of 2014. The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition:

(thousands)

Trade receivables	$4,868
Inventories	11,772
Property, plant and equipment	3,934
Prepaid expenses	129
Accounts payable and accrued liabilities	(4,277)
Intangible assets	20,905
Goodwill	8,025
Total net purchase price	$45,356

2013 Acquisitions

Frontline

In early September 2013, the Company acquired the business and certain assets of Warsaw, Indiana-based Frontline, a manufacturer of fiberglass bath fixtures including tubs, showers and combination tub/shower units for the RV, manufactured housing (“MH”), and residential housing markets, for a net purchase price of $5.2 million, which included a contingent payment that may be paid based on future performance. The fair value of the contingent consideration arrangement was estimated by applying the income approach and included assumptions related to the probability of future payments and discounted cash flows. In the third quarter of 2014, the Company determined that the contingent consideration would not be paid as the conditions for payment were not achieved. As a result, the Company recognized a pretax gain of $0.3 million associated with the non-payment of the contingent consideration which is included in the line item “Selling, general & administrative” on the condensed consolidated statements of income for the third quarter and nine months ended September 28, 2014.

This acquisition provides the opportunity for the Company to establish a presence in the fiberglass bath fixtures market and increase its product offerings, market share and per unit content. The results of operations for Frontline are included in the Company's condensed consolidated financial statements and the Manufacturing operating segment from the date of acquisition. The excess of the purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which represents the value of leveraging the Company's existing purchasing, manufacturing, sales, and systems resources with the organizational talent and expertise of the Frontline team to maximize efficiencies, revenue impact, market share growth, and net income.

The acquisition was funded through borrowings under the Company's 2012 Credit Facility. Assets acquired and liabilities assumed in the acquisition were recorded on the Company's condensed consolidated statements of financial position at their estimated fair values as of the date of the acquisition. The purchase price allocation and all required purchase accounting adjustments were finalized in the second quarter of 2014. The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition:

(thousands)	
Trade receivables	$1,545
Inventories	250
Property, plant and equipment	917
Prepaid expenses	21
Accounts payable and accrued liabilities	(2,135)
Intangible assets	2,092
Goodwill	2,490
Total net purchase price	$5,180

Premier

In early September 2013, the Company acquired the business and certain assets of Warsaw, Indiana-based Premier, a custom fabricator of solid surface, granite, and quartz countertops for the RV, MH and residential housing markets, for a net purchase price of $2.6 million, which includes a contingent payment that may be paid based on future performance. The fair value of the contingent consideration arrangement was estimated by applying the income approach and included assumptions related to the probability of future payments and discounted cash flows**.** In the third quarter of 2014, the Company determined that the contingent consideration would not be paid as the conditions for payment were not achieved. As a result, the Company recognized a pretax gain of $0.2 million associated with the non-payment of the contingent consideration which is included in the line item "Selling, general & administrative" on the condensed consolidated statements of income for the third quarter and nine months ended September 28, 2014.

This acquisition provides the opportunity for the Company to expand its presence in the countertops market and increase its product offerings, market share and per unit content. The results of operations for Premier are included in the Company's condensed consolidated financial statements and the Manufacturing operating segment from the date of

acquisition. The excess of the purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which represents the value of leveraging the Company’s existing purchasing, manufacturing, sales, and systems resources with the organizational talent and expertise of the Premier team to maximize efficiencies, revenue impact, market share growth, and net income.

The acquisition was funded through borrowings under the Company's 2012 Credit Facility. Assets acquired and liabilities assumed in the acquisition were recorded on the Company's condensed consolidated statements of financial position at their estimated fair values as of the date of the acquisition. The purchase price allocation and all required purchase accounting adjustments were finalized in the second quarter of 2014. The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition:

(thousands)	
Trade receivables	$764
Inventories	347
Property, plant and equipment	561
Accounts payable and accrued liabilities	(1,357)
Intangible assets	1,210
Goodwill	1,095
Total net purchase price	$2,620

West Side

In late September 2013, the Company acquired the business and certain assets of Goshen, Indiana-based West Side, a wholesale supplier of La-Z-Boy® recliners and the Serta® Trump Home™ mattress line, among other furniture products, to the RV market, for a net purchase price of $8.7 million. This acquisition provides the opportunity for the Company to expand its presence in the wholesale furniture business for the RV industry, and increase its product offerings, market share and per unit content. The results of operations for West Side are included in the Company's condensed consolidated financial statements and the Distribution operating segment from the date of acquisition. The excess of the purchase consideration over the fair value of the net assets acquired was recorded as goodwill, which represents the value of leveraging the Company's existing purchasing, sales, and systems resources with the organizational talent and expertise of the West Side team to maximize efficiencies, revenue impact, market share growth, and net income.

The acquisition was funded through borrowings under the Company's 2012 Credit Facility. Assets acquired and liabilities assumed in the acquisition were recorded on the Company's condensed consolidated statements of financial position at their estimated fair values as of the date of the acquisition. The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition:

(thousands)	
Trade receivables	$902
Inventories	1,439
Property, plant and equipment	324

Prepaid expenses	9
Accounts payable and accrued liabilities	(2,094)
Intangible assets	5,461
Goodwill	2,670
Total net purchase price	$8,711

Pro Forma Information

The following pro forma information for the third quarter and nine months ended September 28, 2014 assumes the Precision and Foremost acquisitions (which were acquired in June 2014) occurred as of January 1, 2014, the beginning of the year in which such acquisitions occurred. The pro forma information for the third quarter and nine months ended September 29, 2013 assumes the Frontline, Premier, and West Side acquisitions (all three of which were acquired in September 2013), and the Precision and Foremost acquisitions, occurred as of January 1, 2013. The pro forma information below for each of the 2014 and 2013 periods contains the actual operating results of Frontline, Premier, West Side, Precision and Foremost since their respective acquisition date, combined with the operating results prior to their respective acquisition dates.

The pro forma information includes financing and interest expense charges based on the actual incremental borrowings incurred in connection with each transaction as if it occurred at the beginning of the respective years. In addition, the pro forma information includes amortization expense related to intangible assets acquired in the Frontline, Premier and West Side acquisitions of approximately $0.3 million and $0.9 million, in the aggregate, for the third quarter and nine months ended September 29, 2013, respectively. In addition, the pro forma information includes amortization expense related to intangible assets acquired in the Precision and Foremost acquisitions of approximately $1.2 million for the nine months ended September 28, 2014, and $0.6 million and $1.9 million for the third quarter and nine months ended September 29, 2013, respectively. Pro forma information related to the PolyDyn3 acquisition is not included in the table below, as its financial results were not considered to be significant to the Company's operating results for the periods presented.

	Third Quarter Ended		Nine Months Ended	
	Sept. 28,	Sept. 29,	**Sept. 28,**	Sept. 29,
(thousands except per share data)	**2014**	2013	**2014**	2013
Revenue	**$ 188,138**	$ 177,832	**$ 598,069**	$ 554,577
Net income	**7,254**	5,297	**24,719**	20,508
Net income per share – basic	**0.68**	0.50	**2.31**	1.91
Net income per share – diluted	**0.68**	0.50	**2.30**	1.90

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

For the third quarter and nine months ended September 28, 2014, revenue of approximately $25.0 million and $26.6 million, respectively, was included in the Company's condensed consolidated statements of income pertaining to the three businesses acquired in 2014. Revenue of approximately $1.8 million was included in the Company's condensed consolidated statements of income pertaining to the three businesses acquired in both the third quarter and first nine months of 2013.

6. STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with fair value recognition provisions. The Company recorded compensation expense of $0.9 million and $0.3 million for the third quarters ended September 28, 2014 and September 29, 2013, respectively, for its stock-based compensation plans on the condensed consolidated statements of income. For the comparable nine months periods, the Company recorded $2.5 million and $0.9 million, respectively.

The Company estimates the fair value of (i) all stock grants as of the grant date using the closing price per share of the Company's common stock on such date, and (ii) all stock option and stock appreciation rights awards as of the grant date by applying the Black-Scholes option pricing model. The Board of Directors (the "Board") approved the following share grants in 2013: 89,947 shares on March 4, 2013, 5,000 shares on March 11, 2013, and 19,480 shares on May 23, 2013. In addition, on December 18, 2013, the Company granted 200,000 shares that may be issued upon the exercise of stock options and 200,000 shares that may be issued upon the exercise of stock appreciation rights. The grant of the stock appreciation rights was subject to shareholder approval of amendments to the Company's 2009 Omnibus Incentive Plan (the "Plan") to increase the number of shares available for grant under the Plan and to make certain other changes. On May 22, 2014, the Company's shareholders approved the amendments to the Plan at the Company's annual meeting of shareholders.

The following share grants were approved in the first nine months of 2014: 34,000 shares on February 12, 2014, 65,668 shares on February 18, 2014, and 10,560 shares on May 22, 2014. In addition, on February 18, 2014, the Board approved the issuance of 44,001 restricted stock units under the Plan. At the beginning of the Company's fourth fiscal quarter, a share grant of 296 shares was approved on September 30, 2014.

As of September 28, 2014, there was approximately $5.8 million of total unrecognized compensation cost related to stock-based compensation arrangements granted under incentive plans. That cost is expected to be recognized over a weighted-average period of 21.4 months.

7. NET INCOME PER COMMON SHARE

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

Net income per common share is calculated for the third quarter and nine months periods as follows:

	Third Quarter Ended		Nine Months Ended	
(thousands except per share data)	**Sept. 28, 2014**	Sept. 29, 2013	**Sept. 28, 2014**	Sept. 29, 2013
Net income for basic and diluted per share calculation	**$7,254**	$5,452	**$23,381**	$19,028
Weighted average common shares outstanding - basic	**10,657**	10,655	**10,689**	10,759
Effect of potentially dilutive securities	**63**	42	**55**	41
Weighted average common shares outstanding - diluted	**10,720**	10,697	**10,744**	10,800
Basic net income per common share	**$0.68**	$0.51	**$2.19**	$1.77
Diluted net income per common share	**$0.68**	$0.51	**$2.18**	$1.76

8. OTHER NON-CURRENT ASSETS

As of September 28, 2014 and December 31, 2013, other non-current assets of $1.0 million were net of borrowings against the cash value of life insurance policies on certain of the Company's officers and directors of approximately $2.8 million and $2.7 million, respectively.

9. DEBT

On October 24, 2012, the Company entered into a credit agreement (the "2012 Credit Agreement") with Wells Fargo Bank, National Association as the agent and lender ("Wells Fargo"), and Fifth-Third as participant (collectively, the "Lenders"), to establish a five-year $80.0 million revolving secured senior credit facility (the "2012 Credit Facility").

On June 26, 2014, the Company entered into a fourth amendment to the 2012 Credit Agreement to increase the maximum borrowing limit under the revolving line of credit (the "Revolver") to $125.0 million from $80.0 million.

The 2012 Credit Agreement is secured by a pledge of substantially all of the assets of the Company pursuant to a Security Agreement, dated October 24, 2012, between the Company and Wells Fargo, as agent. The 2012 Credit Agreement includes certain definitions, terms and reporting requirements and includes the following additional provisions:

- The maturity date for the 2012 Credit Facility is October 24, 2017;
- The Company has the option to increase the 2012 Credit Facility by an amount up to $20.0 million upon request to and subject to the approval of the Lenders;
- The interest rates for borrowings under the Revolver are the Base Rate plus the Applicable Margin or the London Interbank Offer Rate ("LIBOR") plus the Applicable Margin, with a fee payable by the Company on unused but committed portions of the Revolver;
- The Revolver includes a sub-limit up to $5.0 million for same day advances ("Swing Line") which shall bear interest based upon the Base Rate plus the Applicable Margin;
- Up to $20.0 million of the Revolver will be available as a sub facility for the issuance of standby letters of credit, which are subject to certain expiration dates;
- The financial covenants include requirements as to a consolidated total leverage ratio and a consolidated interest coverage ratio, and other covenants include limitations on permitted acquisitions, capital expenditures, indebtedness, restricted payments and fundamental changes (see further details below); and
- Customary prepayment provisions which require the prepayment of outstanding amounts under the Revolver based on predefined conditions.

At September 28, 2014, the Company had $107.3 million outstanding under its Revolver which consisted of $96.0 million of borrowings under the LIBOR-based option and $11.3 million of borrowings under the Base Rate-based option. The interest rate for borrowings under the Revolver at September 28, 2014 was the Prime Rate plus 0.50% (or 3.75%), or LIBOR plus 1.50% (or 1.625%). At December 31, 2013, the Company had $55.0 million of borrowings outstanding, all of which was under the LIBOR-based option of LIBOR plus 1.50% (or 1.6875%). The fee payable on committed but unused portions of the Revolver was 0.20% for both of these periods.

Pursuant to the 2012 Credit Agreement, the financial covenants include (a) a maximum consolidated total leverage ratio, measured on a quarter-end basis, not to exceed 3.50:1.00 for the 12 month period ending on such quarter-end; (b) a required minimum consolidated interest coverage ratio under the Revolver, measured on a quarter-end basis, of at least 2.25:1.00 for the 12 month period ending on such quarter-end; and (c) a limitation on annual capital expenditures of $10.0 million for 2014 and for subsequent fiscal years, exclusive of acquisitions. If the consolidated total leverage ratio is in excess of 3.00:1.00 and less than 3.50:1.00, the Company is considered to be in compliance with this financial covenant provided it maintains an asset coverage ratio of at least 1.00 to 1.00 as of the close of each period.

The consolidated total leverage ratio is the ratio for any period of (i) consolidated total indebtedness to (ii) earnings before interest, taxes, depreciation and amortization (“EBITDA”). Consolidated total indebtedness for any period is the sum of (i) total debt outstanding under the Revolver, (ii) capital leases and letters of credit outstanding, and (iii) deferred payment obligations. The asset coverage ratio for any period is the ratio of (i) eligible amounts of the Company’s trade payables, inventory and fixed assets, minus certain reserves as defined under the 2012 Credit Agreement to (ii) the sum of outstanding obligations under the 2012 Credit Facility.

The consolidated interest coverage ratio for any period is the ratio of (i) EBITDA minus depreciation to (ii) the sum of consolidated interest expense plus restricted payments made by the Company.

As of and for the fiscal nine-month period ended September 28, 2014, the Company was in compliance with all three of these financial covenants at each reporting date. The required maximum total leverage ratio, minimum interest coverage ratio, and the annual capital expenditures limitation amounts compared to the actual amounts as of and for the fiscal nine-month period ended September 28, 2014 are as follows:

(thousands except ratios)	Required	Actual
Consolidated leverage ratio (12-month period)	3.50	1.50
Consolidated interest coverage ratio (12-month period)	2.25	7.30
Annual capital expenditures limitation (actual year-to-date)	$10,000	$4,184

10. FAIR VALUE MEASUREMENTS

The carrying amounts of cash and cash equivalents, trade receivables, and accounts payable approximated fair value as of September 28, 2014 and December 31, 2013 because of the relatively short maturities of these financial instruments. The carrying amount of long-term debt approximated fair value as of September 28, 2014 and December 31, 2013 based upon terms and conditions available to the Company at those dates in comparison to the terms and conditions of its outstanding long-term debt.

11. INCOME TAXES

The Company recorded income taxes at an estimated full year effective rate of 38.5% in the third quarter and first nine months of 2014. The Company recorded income taxes at an estimated effective tax rate of 39% in the first and second quarters of 2013. In the third quarter of 2013, the Company determined that its estimated effective tax rate for the full year of 2013 would be approximately 38%. As a result, the Company recorded income taxes at a rate of 35.4% in the third quarter of 2013 in order to achieve a blended rate of 38% for the first nine months of 2013.

The Company had various state net operating loss carry forwards ("NOLs") of approximately $4.5 million at December 31, 2013, of which approximately $2.2 million were remaining to be utilized as of September 28, 2014. The Company estimates that it will utilize a majority of the remaining state NOLs by the end of 2014.

In the first nine months of 2014, the Company realized a net tax benefit of approximately $1.1 million related to excess benefits on stock-based compensation, which had not been recorded as deferred tax assets at December 31, 2013. This tax benefit was recorded to shareholders' equity upon realization in the first nine months of 2014.

12. SEGMENT INFORMATION

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

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

Manufacturing – The Company's lamination operations utilize various materials, such as lauan, medium-density fiberboard ("MDF"), gypsum, and particleboard, which are bonded by adhesives or a heating process to a number of products, including vinyl, paper, foil, and high-pressure laminates. These products are utilized to produce furniture, shelving, wall, counter, and cabinet products with a wide variety of finishes and textures. This segment also includes a cabinet door division, a fiberglass bath fixtures division, a hardwood furniture division, a vinyl printing division, a solid surface, granite, and quartz fabrication division, an exterior graphics division, an RV painting division, a fabricated aluminum products division, and the recently acquired simulated wood and stone products division (PolyDyn3). Patrick's major manufactured products also include wrapped vinyl, paper and hardwood profile mouldings, interior passage doors, and slotwall panels and components. The Manufacturing segment contributed approximately 75% and 78% of the Company's net sales for the nine months ended September 28, 2014 and September 29, 2013, respectively.

Distribution – The Company distributes pre-finished wall and ceiling panels, drywall and drywall finishing products, electronics, wiring, electrical and plumbing products, FRP products, cement siding, interior passage doors, roofing products, laminate and ceramic flooring, shower doors, furniture, fireplaces and surrounds, interior and exterior lighting products, and other miscellaneous products. The Distribution segment contributed approximately 25% and 22% of the Company's net sales for the nine months ended September 28, 2014 and September 29, 2013, respectively.

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The tables below present unaudited information about the sales and operating income of those segments.

Third Quarter Ended September 28, 2014

(thousands)	Manufacturing	Distribution	Total
Net outside sales	**$ 138,512**	**$ 49,626**	**$188,138**
Intersegment sales	**4,861**	**639**	**5,500**
Operating income	**13,647**	**2,673**	**16,320**

Third Quarter Ended September 29, 2013

(thousands)	Manufacturing	Distribution	Total
Net outside sales	$ 112,578	$ 34,045	$146,623
Intersegment sales	5,302	507	5,809
Operating income	9,333	2,020	11,353

Nine Months Ended September 28, 2014

(thousands)	Manufacturing	Distribution	Total
Net outside sales	**$ 410,146**	**$ 135,997**	**$546,143**
Intersegment sales	**15,176**	**1,874**	**17,050**
Operating income	**43,062**	**7,522**	**50,584**

Nine Months Ended September 29, 2013

(thousands)	Manufacturing	Distribution	Total
Net outside sales	$ 349,068	$ 99,251	$448,319
Intersegment sales	15,523	2,119	17,642
Operating income	34,412	6,292	40,704

The table below presents a reconciliation of segment operating income to consolidated operating income:

	Third Quarter Ended		Nine Months Ended	
	Sept. 28,	Sept. 29,	**Sept. 28,**	Sept. 29,
(thousands)	**2014**	2013	**2014**	2013
Operating income for reportable segments	**$16,320**	$11,353	**$50,584**	$40,704
Gain (loss) on sale of fixed assets	**51**	(6)	**27**	424

Unallocated corporate expenses	**(2,473**	) (1,824	) **(7,807**	) (7,235)
Amortization of intangible assets	**(1,408**	) (548	) **(3,036**	) (1,588)
Consolidated operating income	**$12,490**	$8,975	**$39,768**	$32,305

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

13. STOCK REPURCHASE PROGRAM

On February 22, 2013, the Board authorized a stock repurchase program for purchasing up to $10.0 million of the Company's common stock over the following 12 months. On February 13, 2014, the Board authorized an increase in the amount of the Company's stock that may be acquired through the existing stock repurchase program over the following 12 months to $20.0 million, including approximately $3.9 million available under the previous authorization.

In the third quarter of 2014, the Company repurchased 78,183 shares at an average price of $41.50 per share for a total cost of approximately $3.2 million. In the first nine months of 2014, the Company repurchased 172,729 shares at an average price of $40.11 per share for a total cost of approximately $6.9 million. Since the inception of the stock repurchase program in February 2013 through October 24, 2014, the Company has repurchased in the aggregate 704,137 shares at an average price of $25.47 per share for a total cost of approximately $17.9 million.

Common Stock

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's Condensed Consolidated Financial Statements and Notes thereto included in Item 1 of this Report. In addition, this MD&A contains certain statements relating to future results which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. See "Information Concerning Forward-Looking Statements" on page 31 of this Report. The Company undertakes no obligation to update these forward-looking statements.

The MD&A is divided into seven major sections:

OVERVIEW OF MARKETS AND RELATED INDUSTRY PERFORMANCE

REVIEW OF CONSOLIDATED OPERATING RESULTS

Third Quarter and Nine Months Ended September 28, 2014 Compared to 2013

REVIEW BY BUSINESS SEGMENT

Third Quarter and Nine Months Ended September 28, 2014 Compared to 2013

Unallocated Corporate Expenses

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Capital Resources

Summary of Liquidity and Capital Resources

CRITICAL ACCOUNTING POLICIES

OTHER

Seasonality

Inflation

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

OVERVIEW OF MARKETS AND RELATED INDUSTRY PERFORMANCE

Summary

The third quarter and first nine months of 2014 reflected a continuation of solid growth in the recreational vehicle ("RV") market. As anticipated, we also saw some normal seasonal softening in the third quarter of 2014 as RV dealers generally tend to delay purchases of new units until new product lines and features are introduced at the original equipment manufacturers ("OEMs") shows in the months of September and December. The manufactured housing ("MH") industry also saw a year-over-year shipment improvement in the third quarter and first nine months of 2014 and experienced seasonally typical sales activity. Additionally, sales to the industrial market sector, which is primarily tied to the residential housing market, increased over the first nine months of 2013. Overall, we have continued to capture market share through our strategic acquisitions, product line extensions, and new product initiatives. We expect the three primary markets that we serve to experience steady growth in the remainder of 2014 with full year seasonal patterns tracking trends consistent with the prior year. In particular, our outlook for the RV market for the remainder of 2014 is based on a number of factors, including retail sales levels, wholesale shipment trends, positive traffic on dealer retail lots, and balanced inventory levels on dealer lots.

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RV Industry

The RV industry, which is our primary market and comprised 75% of the Company's nine months 2014 sales, continued to strengthen as evidenced by higher OEM production levels and wholesale unit shipments versus the prior year. According to the Recreational Vehicle Industry Association ("RVIA"), shipment levels reached 79,287 units in the third quarter of 2014, representing an increase of approximately 8% versus the prior year period, and resulted in year-over-year shipment increases in all but one quarter since the fourth quarter of 2009. In the first nine months of 2014, shipment levels reached 271,352 units, an increase of approximately 9% over 2013. The RV industry experienced monthly increases in wholesale shipment levels in each of the first nine months of 2014 compared to 2013. Our sales levels were within the range of our expectations and we were able to maintain our market share and improve gross profit margins for the quarter despite moderate price concessions on certain product lines and the loss of certain low margin business which we chose not to further pursue as a result of competitive pricing pressures. The third quarter of 2014 also included less predictable order rates, which is expected at this time of year, as many of the RV OEMs modify production schedules in preparation for the dealer show season which starts in September. Additionally, several of the RV OEMs have been aggressively managing their operations during the third and fourth quarters of 2014 in order to maintain efficiencies by better balancing their production schedules and labor force utilization in the tight labor market, specifically in the Midwest. We expect the positive sentiment exhibited by both dealers and OEMs during the RV manufacturer open houses in September to be reflected in industry order levels consistent with past seasonal trends as we move later into the fourth quarter of 2014 and into the first quarter of 2015.

Industry reports indicate that RV dealer inventory levels continue to be in line with retail demand. We expect to see quarterly revenue growth in the fourth quarter of 2014 compared to 2013 while taking into consideration seasonal patterns, and exclusive of the revenue contribution of the acquisitions we completed in 2013 and thus far in 2014.

We believe that, based on the factors mentioned above, as well as favorable demographic trends, the RV industry has a positive long-term outlook as overall economic conditions and consumer confidence continue to improve. On a macroeconomic level, as consumer confidence has improved over the last five years, there have been year-over-year increases in RV shipments for the same time period. We anticipate that this industry growth will continue into 2015, barring any global, political or other factors that negatively impact consumer confidence for an extended period of time. For example, a continuation or worsening of the recent volatility in the equity markets experienced in the latter part of the third quarter of 2014 and into October could impact consumer confidence levels and the economic environment, both of which could influence the strength of the Company's sales to its end markets in the fourth quarter of 2014 and into 2015.

MH Industry

The MH industry represented approximately 14% of the Company's nine months 2014 sales. According to industry sources, wholesale unit shipments in the third quarter of 2014 and the first nine months of 2014 increased

approximately 9% and 7%, respectively, from the comparable prior year periods. While we do not anticipate significant growth in the MH market in the near term, we believe that demand has reached the bottom of the cycle and there is opportunity for moderate to strong year-over-year growth, with limited downside risk, based on volumes returning to their historical relationship with new housing starts and assuming the availability of credit and recalibration of quality credit standards. On average over the last 40 years, approximately three-fourths of total residential housing starts have been single-family housing starts, while wholesale unit shipment levels in the MH industry have averaged approximately 10% of the level of single-family housing starts over the last 10 years.

Factors that may favorably impact production levels further in this industry include quality credit standards in the residential housing market, job growth, favorable changes in financing laws, new tax credits for new homebuyers and other government incentives, higher interest rates on traditional residential housing loans, and improved conditions and capacity in the asset-backed securities markets for manufactured housing loans. There is still overhang related to the factors that negatively impacted demand in the MH industry in recent years, including the lack of financing alternatives and credit availability, slow job growth and, in certain areas, excess residential housing inventories. However, we believe that there is also longer term potential for this industry as residential housing demand recovers. Additionally, manufactured housing provides a cost effective alternative for those individuals and families seeking to establish or re-establish home ownership, or whose credit ratings have been impacted by the economic and job environment over the past several years. We also believe manufactured housing to be an attractive option for those who have migrated to temporary and multi-family housing alternatives.

Industrial Market

The industrial market accounted for 11% of our nine months 2014 sales and is comprised primarily of the kitchen cabinet industry, retail and commercial fixture market, office and household furniture market and regional distributors. The Company's industrial sales have increased over the last several years, reflecting both acquisition and organic growth, the addition of new sales territories, and a focus on opportunities in the commercial markets. We estimate approximately 56% of our industrial revenue base is directly tied to the residential housing market for the nine months of 2014 with the remaining 44% in the retail and commercial markets, mainly in the office, medical and institutional furnishings markets. New housing starts in the third quarter and first nine months of 2014 increased approximately 15% and 9%, respectively, compared to the prior year (as reported by the U.S. Department of Commerce). Our sales to the industrial market generally lag new residential housing starts by six to nine months.

In order to offset some of the impacts of the weakness in the residential housing market in recent years, we have focused on diversification efforts, strategic acquisitions, and increased penetration into the commercial and multi-family housing markets with the addition of new sales territories and personnel. Additionally, we have targeted certain sales efforts towards market segments that are less directly tied to new single and multi-family home construction, including the retail fixture, office, furniture, and countertop markets. As a result, we have seen a shift in our product mix, which has had a positive impact on revenues from the industrial markets. In addition, we believe that projected continued low interest rates and overall expected economic improvement as well as pent up demand are still some of the drivers that will positively impact the housing industry for the next several years.

Fourth Quarter 2014 Outlook

In general, the three primary markets that we serve experienced steady growth in the first nine months of 2014, which we expect to continue throughout the remainder of 2014. The RVIA forecasts that RV unit shipment levels for fiscal full year 2014 will increase approximately 9% when compared to 2013. In addition, we anticipate a further increase in

production levels in the MH industry in 2014, reflecting improvement in the overall economy and consistent with the improvement in single-family residential housing starts as projected by the NAHB for the full year 2014. Based on the industry's current annualized run rates, the Company projects wholesale MH unit shipments for full year 2014 to increase by approximately 6% compared to 2013. New housing starts in 2014 are estimated to improve by approximately 7% year-over-year (as forecasted by the NAHB as of September 30, 2014) consistent with improving overall economic conditions.

We believe we are well-positioned to increase revenues in each of the primary markets we serve as the overall economy improves. While our visibility related to longer-term industry conditions is limited to approximately six months, we expect to continue to see quarterly year-over-year revenue growth for the remainder of fiscal year 2014, exclusive of the revenue contribution of the acquisitions we completed in September of 2013 and thus far in 2014.

We will continue to review our operations on a regular basis, balance appropriate risks and opportunities, and maximize efficiencies to support the Company's long-term strategic growth goals. Our team remains focused on strategic acquisitions, capturing market share and increasing our per unit content, management of certain low margin business, keeping costs aligned with revenue, maximizing operating efficiencies, talent management, and the execution of our organizational strategic agenda. Key focus areas for the remainder of 2014 include strategic revenue growth, improved operating income and net income, earnings per share, earnings before interest, taxes, depreciation, and amortization ("EBITDA"), and free cash flow. Additional focus areas include:

- Sales into additional commercial/institutional markets to diversify revenue base;
- Further improvement of operating efficiencies in all manufacturing operations and corporate functions;
- Acquisition of businesses/product lines that meet established criteria;
- Balance aggressive management of inventory quantities and pricing with the need to meet expected customer demand growth, as well as take advantage of strategic buying opportunities; and
- Ongoing development of existing product lines and the addition of new product lines.

In conjunction with our organizational strategic agenda, we will continue to make targeted capital investments to support new business and leverage our operating platform. In the first nine months of 2014, capital expenditures were approximately $4.2 million. The current capital plan for full year 2014 includes expenditures approximating $8.0 million, and includes the ongoing replacement of our Enterprise Resource Planning ("ERP") system at our operating divisions that have not yet been converted, equipment upgrades to ensure that our facilities have the capacity, capabilities and technology to facilitate our growth plans, and other strategic capital and maintenance improvements.

REVIEW OF CONSOLIDATED OPERATING RESULTS

Third Quarter and Nine Months Ended September 28, 2014 Compared to 2013

The following table sets forth the percentage relationship to net sales of certain items on the Company's condensed consolidated statements of income.

	Third Quarter Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	**Sept. 28, 2014**	Sept. 29, 2013
Net sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of goods sold	**84.0**	85.1	**83.7**	84.5
Gross profit	**16.0**	14.9	**16.3**	15.5

Warehouse & delivery expenses	**3.6**	3.6	**3.6**	3.2
Selling, general & administrative expenses	**5.0**	4.8	**4.9**	4.8
Amortization of intangible assets	**0.8**	0.4	**0.5**	0.4
Gain on sale of fixed assets	**-**	-	**-**	(0.1)
Operating income	**6.6**	6.1	**7.3**	7.2
Interest expense, net	**0.4**	0.4	**0.3**	0.4
Income taxes	**2.4**	2.0	**2.7**	2.6
Net income	**3.8**	3.7	**4.3**	4.2

Net Sales. Net sales in the third quarter of 2014 increased $41.5 million or 28.3%, to $188.1 million from $146.6 million in the third quarter of 2013. The increase was primarily attributable to a 34% increase in the Company's revenue from the RV industry, a 12% increase in revenue from the MH industry, and a 19% increase in revenue from the industrial markets. During the third quarter of 2014, our organic growth was nominally impacted by typical competitive pricing pressures in the market as a result of model year changeovers and reduced commodity prices on certain raw materials.

The Company estimates its organic growth in the third quarter of 2014 at approximately 7%, or $10.2 million of the total revenue increase. The remaining $31.3 million revenue increase in the third quarter of 2014 reflects the incremental contribution of the acquisitions completed in 2013 and 2014. The Company acquired the business and certain assets of: (i) Frontline Mfg., Inc. ("Frontline"), Premier Concepts, Inc. ("Premier"), and John H. McDonald Co., Inc. d/b/a West Side Furniture ("West Side") in September 2013; (ii) Precision Painting Group ("Precision") and Foremost Fabricators, LLC ("Foremost") in June 2014; and (iii) PolyDyn3, LLC ("PolyDyn3") in September 2014.

For the nine months ended September 28, 2014, net sales increased $97.8 million or 21.8%, to $546.1 million from $448.3 million in the prior year period. The increase was primarily attributable to a 24% increase in the Company's revenue from the RV industry, a 10% increase in revenue from the MH industry, and a 22% increase in revenue from the industrial markets.

The Company estimates its organic growth in the first nine months of 2014 at approximately 10%, or $43.1 million of the total revenue increase. The remaining $54.7 million revenue increase in the first nine months of 2014 reflects the incremental contribution of the 2013 and 2014 acquisitions.

The sales increase in the third quarter and first nine months of 2014 is primarily attributable to: (i) increased RV market penetration, (ii) improved residential cabinet and office, medical and institutional furnishings sales in the industrial market, and (iii) an increase in wholesale unit shipments in the RV and MH industries. Our sales to the industrial market sector, which is primarily tied to the residential housing and commercial and retail fixture markets, generally lag new residential housing starts by approximately six to nine months.

The Company's RV content per unit (on a trailing twelve-month basis) for the third quarter of 2014 increased approximately 17% to $1,488 from $1,271 for the third quarter of 2013. The MH content per unit (on a trailing twelve-month basis) increased to $1,614 from $1,599 for the comparable 2013 period.

The RV industry, which represented 73% and 75% of the Company's sales in the third quarter and first nine months of 2014, respectively, saw wholesale unit shipments increase by approximately 8% and 9%, respectively, in those periods compared to 2013. The MH industry, which represented 16% and 14% of the Company's sales in the third quarter and first nine months of 2014, respectively, experienced a 9% and 7% increase in wholesale unit shipments in the third quarter and first nine months of 2014, respectively, compared to the prior year periods. The industrial market sector accounted for approximately 11% of the Company's sales in both the third quarter and first nine months 2014. We estimate that approximately 56% of our industrial revenue base is directly tied to the residential housing market, which experienced an increase in new housing starts of approximately 15% in the third quarter of 2014 and 9% in the first nine months of 2014 compared to the prior year periods (as reported by the U.S. Department of Commerce). We expect to continue to see quarterly year-over-year revenue growth in the fourth quarter of fiscal year 2014, exclusive of the revenue contributions of the acquisitions completed in June and September of 2014.

Cost of Goods Sold. Cost of goods sold increased $33.3 million or 26.7%, to $158.1 million in third quarter 2014 from $124.8 million in 2013. As a percentage of net sales, cost of goods sold decreased during the third quarter of 2014 to 84.0% from 85.1% in 2013. For the first nine months of 2014, cost of goods sold increased $78.2 million or 20.7%, to $457.1 million from $378.9 million in the prior year period. For the first nine months of 2014, cost of goods sold as a percentage of net sales decreased to 83.7% from 84.5% in the prior year period.

Cost of goods sold as a percentage of net sales was positively impacted during the third quarter and first nine months of 2014 by: (i) increased revenues relative to our overall fixed overhead costs, (ii) the impact of acquisitions completed during 2013 and 2014, and (iii) ongoing organizational and process changes that enhanced labor efficiencies and increased material yields. In addition, changing demand in certain market sectors can result in fluctuating costs of certain commodities of raw materials and other products that we utilize and distribute from quarter-to-quarter.

Gross Profit. Gross profit increased $8.2 million or 37.6%, to $30.0 million in third quarter 2014 from $21.8 million in third quarter 2013. For the nine months periods, gross profit increased $19.6 million or 28.2%, to $89.0 million in 2014 from $69.4 million in 2013. As a percentage of net sales, gross profit increased to 16.0% in third quarter 2014 from 14.9% in the same period in 2013, and increased to 16.3% in the first nine months of 2014 from 15.5% in the prior year period. The improvement in gross profit dollars and as a percentage of net sales in the third quarter and first nine months of 2014 compared to 2013 reflected the positive impact of the factors discussed above under “Cost of Goods Sold,” including the positive contribution to gross profit of both organic and acquisition-related revenue growth, and disciplined cost control and management of certain low margin business. We believe these acquisitions will provide positive contribution to our operating profitability going forward. Although the acquisitions we completed in the second quarter of 2014 historically have had lower gross margins compared to the Company’s current consolidated gross margins, we expect the 2014 acquisitions to have higher operating margins compared to the Company’s current consolidated operating margins.

Economic or industry-wide factors affecting the profitability of our RV, MH, and industrial businesses include the costs of commodities used to manufacture our products and the competitive environment that can cause gross margins to fluctuate from quarter-to-quarter and year-to-year. Consistent with prior year seasonal patterns, gross profit as a percentage of net sales for the fourth quarter of 2014 may be lower than that reported in the third quarter of 2014. However, gross profit as a percentage of net sales should increase from the fourth quarter of 2013. The seasonal factors impacting fourth quarter margins include generally lower industry sales levels, customer holiday shutdown schedules, and taking physical inventories at our plants which impact labor and overhead cost absorption.

We expect full year gross margins to increase in 2014 from 2013, exclusive of any commodity pricing fluctuations, competitive pricing dynamics, or other circumstances outside of our control, as a result of operating leverage from continued expected sales growth, as well as higher gross margins on certain acquisitions completed in prior years when compared to historical consolidated gross margins. We expect this increase in gross margin in 2014 to be partially offset by a slight increase in total operating expenses as a percentage of net sales as described below.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased $1.5 million or 29.3%, to $6.8 million in third quarter 2014 from $5.3 million in third quarter 2013. For the nine months, warehouse and delivery expenses increased $5.1 million or 34.9%, to $19.6 million in 2014 from $14.5 million in 2013.

As a percentage of net sales, warehouse and delivery expenses were 3.6% in both the third quarter of 2014 and 2013. This percentage benefited from higher sales volumes relative to fixed costs, offset by the impact of lower sales volumes per delivery truckload due to fluctuating order rates that mainly stemmed from changing production schedules related to the fall dealer show season.

For the comparable nine months periods, warehouse and delivery expenses were 3.6% and 3.2% of net sales for 2014 and 2013, respectively. The increase as a percentage of net sales primarily reflected (i) additional warehouse staff as a result of a 36% increase in our distribution revenues during the nine months; (ii) increased overtime expenses for Company fleet drivers and greater utilization of more costly third party contract drivers in certain of our manufacturing and distribution operations, related to a shortage of qualified drivers to transport our products to our customers, primarily in the first half of 2014; and (iii) increased overall demand levels in other industries which resulted in increased freight rates, both with full truckload and less than full truckload carriers, in addition to increased driver wages.

Selling, General and Administrative (SG&A) Expenses. SG&A expenses increased $2.3 million or 33.4%, to $9.3 million in third quarter 2014 from $7.0 million in third quarter 2013. For the nine months, SG&A expenses increased $5.2 million or 24.3%, to $26.6 million in 2014 from $21.4 million in 2013. The net increase in SG&A expenses in the third quarter and first nine months of 2014 compared to the prior year periods primarily reflected the impact of additional headcount associated with recent acquisitions, an increase in commissions related to higher sales levels, and increased stock compensation expense as previously discussed. Additionally, the Company incurred certain

transaction-related expenses in connection with acquisitions completed and those evaluated of approximately $0.7 million for both the third quarter and first nine months of 2014. The increase in SG&A expenses in the third quarter and first nine months of 2014 was partially offset by the recognition of pretax gains of $0.7 million and $1.0 million, respectively, associated with one 2012 acquisition and two 2013 acquisitions in which the conditions for payment of contingent consideration were not achieved. As a percentage of net sales, SG&A expenses were 5.0% and 4.8% in the third quarter 2014 and 2013, respectively. For the comparable nine months periods, SG&A expenses as a percentage of net sales were 4.9% and 4.8% in 2014 and 2013, respectively.

Amortization of Intangible Assets. Amortization of intangible assets increased $0.9 million and $1.4 million in the third quarter and first nine months of 2014, respectively, compared to the prior year periods, primarily reflecting the impact of businesses acquired in the third quarter of 2013 (Frontline, Premier and West Side), and in June 2014 (Precision and Foremost). Intangible assets related to the PolyDyn3 acquisition will be amortized beginning in the fourth quarter of 2014. In the aggregate, in conjunction with the 2013 and 2014 acquisitions, the Company recognized an estimated $29.2 million in certain finite-lived intangible assets that are being amortized over periods ranging from three to 10 years.

Gain on Sale of Fixed Assets. During the second quarter of 2013, the Company sold the facility that housed its distribution operation in Halstead, Kansas and recorded a pretax gain on sale of approximately $0.4 million for the first nine months of 2013.

Operating Income. Operating income increased $3.5 million or 39.2%, to $12.5 million in third quarter 2014 from $9.0 million in the prior year. For the nine months, operating income increased $7.5 million or 23.1%, to $39.8 million from $32.3 million in 2013. The change in operating income is primarily attributable to the items discussed above.

Income Taxes. The Company recorded income taxes at an estimated effective tax rate of 38.5% in the third quarter and first nine months of 2014. The Company recorded income taxes at an estimated effective tax rate of 39% in the first and second quarters of 2013. In the third quarter of 2013, the Company determined that its estimated effective tax rate for the full year of 2013 would be approximately 38%. As a result, the Company recorded income taxes at a rate of 35.4% in the third quarter of 2013 in order to achieve a blended rate of 38% for the first nine months of 2013. As we continue to refine our federal and state income tax estimates, which are impacted by permanent differences impacting the effective tax rate and shifts in apportionment factors among states as a result of recent acquisition activity and other factors, we could experience further fluctuations in our combined effective income tax rate from period to period and for the remainder of 2014.

In the first nine months of 2014 and 2013, the Company realized a net tax benefit of approximately $1.1 million and $2.4 million, respectively, related to the realization of excess tax benefits on stock-based compensation, which had not been recorded as deferred tax assets at December 31, 2013 and 2012, respectively. These tax benefits were recorded to shareholders' equity upon realization in the first nine months of 2014 and 2013 at the then estimated effective combined federal and state tax rate.

Net Income. Net income for third quarter 2014 was $7.3 million or $0.68 per diluted share compared to $5.5 million or $0.51 per diluted share for 2013. For the first nine months, net income was $23.4 million or $2.18 per diluted share in 2014 compared to $19.0 million or $1.76 per diluted share for 2013. The changes in net income for both the third quarter and first nine months of 2014 reflect the impact of the items previously discussed**.**

REVIEW BY BUSINESS SEGMENT

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

The Company’s reportable business segments are as follows:

Manufacturing – The Company’s lamination operations utilize various materials, such as lauan, medium-density fiberboard (“MDF”), gypsum, and particleboard, which are bonded by adhesives or a heating process to a number of products, including vinyl, paper, foil, and high-pressure laminates. These products are utilized to produce furniture, shelving, wall, counter, and cabinet products with a wide variety of finishes and textures. This segment also includes a cabinet door division, a fiberglass bath fixtures division, a hardwood furniture division, a vinyl printing division, a solid surface, granite, and quartz fabrication division, an exterior graphics division, an RV painting division, a fabricated aluminum products division, and the recently acquired simulated wood and stone products division (PolyDyn3). Patrick’s major manufactured products also include wrapped vinyl, paper and hardwood profile mouldings, interior passage doors, and slotwall panels and components.

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

Third Quarter and Nine Months Ended September 28, 2014 Compared to 2013

General

Sales pertaining to the Manufacturing and Distribution segments as stated in the following discussions include intersegment sales. Gross profit includes the impact of intersegment operating activity.

The table below presents information about the sales, gross profit and operating income of the Company's operating segments. A reconciliation to consolidated operating income is presented in Note 12 to the Condensed Consolidated Financial Statements.

	Third Quarter Ended		Nine Months Ended	
(thousands)	**Sept. 28, 2014**	Sept. 29, 2013	**Sept. 28, 2014**	Sept. 29, 2013
Sales				
Manufacturing	**$143,373**	$117,880	**$425,322**	$364,591
Distribution	**50,265**	34,552	**137,871**	101,370
Gross Profit				
Manufacturing	**22,608**	16,459	**68,349**	54,026
Distribution	**7,434**	5,831	**21,394**	17,339
Operating Income				
Manufacturing	**13,647**	9,333	**43,062**	34,412
Distribution	**2,673**	2,020	**7,522**	6,292

Manufacturing

Sales. Sales increased $25.5 million or 21.6%, to $143.4 million in third quarter 2014 from $117.9 million in 2013. In the first nine months of 2014, sales increased $60.7 million or 16.7%, to $425.3 million from $364.6 million in the first nine months of 2013. This segment accounted for approximately 74% and 75% of the Company's consolidated net sales for the third quarter and first nine months of 2014, respectively, and 77% and 78% for the third quarter and first nine months of 2013. In the third quarter of 2014, the sales increase reflected a 27% increase in the Company's revenue from the RV industry, a 10% increase from the MH industry, and an 18% increase in revenue from the industrial markets. On a year-to-date basis, the sales increase reflected an 18%, 10% and 21% increase in the Company's revenue from the RV, MH, and industrial markets, respectively.

Approximately $19.7 million and $34.0 million of the revenue improvement in the third quarter and first nine months of 2014, respectively, was attributable to the incremental contribution of acquisitions completed in 2013 and 2014. There was minimal revenue contribution in the third quarter and first nine months of 2014 related to the manufacturing operation of PolyDyn3. The remaining sales increase of $5.8 million and $26.7 million in the third quarter and first nine months of 2014, respectively, is primarily attributable to: (i) increased RV market penetration; (ii) an increase in wholesale unit shipments in the RV and MH industries of 8% and 9% in the third quarter of 2014, respectively, and 9% and 7% in the first nine months of 2014, respectively; and (iii) improved residential cabinet and office, medical and institutional furnishings sales in the industrial market. We expect to continue to see quarterly year-over-year revenue growth for the fourth quarter of 2014 compared to the prior year period, exclusive of the revenue contributions of the acquisitions completed in June and September of 2014.

Gross Profit. Gross profit increased $6.1 million to $22.6 million in third quarter 2014 from $16.5 million in third quarter 2013. As a percentage of sales, gross profit increased to 15.8% in third quarter 2014 from 14.0% in 2013. Gross profit increased $14.3 million to $68.3 million in the first nine months of 2014 from $54.0 million in the prior year period. As a percentage of sales, gross profit increased to 16.1% in the first nine months of 2014 from 14.8% in 2013. Gross profit for the third quarter and first nine months of 2014 improved primarily as a result of higher revenues relative to overall fixed overhead costs, the impact of acquisitions completed during 2013 and 2014, disciplined cost control and management of certain low margin business, and ongoing organizational and process changes that enhanced labor efficiencies and increased material yields.

Operating Income. Operating income increased $4.3 million to $13.6 million in third quarter 2014 from $9.3 million in the prior year. For the first nine months of 2014, operating income increased by $8.7 million to $43.1 million from $34.4 million in 2013. The improvement in operating income primarily reflects the increase in gross profit mentioned above that was partially offset in the third quarter and nine months periods of 2014 by: (i) higher warehouse and delivery costs as a percentage of net sales that reflected the impact of lower sales volumes per delivery truckload due to fluctuating order rates that mainly stemmed from changing production schedules related to the fall dealer show season, and, for the nine months 2014 period, increased overtime expenses for Company fleet drivers and greater utilization of more costly third party contract drivers in certain manufacturing operations related to the driver shortage previously described; and (ii) to a lesser extent, higher SG&A expenses as a percentage of net sales in the nine months due to the incremental impact of acquisitions completed in 2013 and increased sales, salaried and administration spending to support expected growth.

Distribution

Sales. Sales increased $15.7 million or 45.5%, to $50.3 million in the third quarter of 2014 from $34.6 million in 2013. In the first nine months of 2014, sales increased $36.5 million or 36.0%, to $137.9 million from $101.4 million in the first nine months of 2013. This segment accounted for approximately 26% and 25% of the Company’s consolidated net sales for the third quarter and first nine months of 2014, respectively, and approximately 23% and 22% for the third quarter and first nine months of 2013, respectively. In the third quarter of 2014, the sales increase primarily reflected a 61% increase in the Company’s revenue from the RV industry, a 15% increase in revenue from the MH industry, and a 47% increase in revenue from the industrial markets. On a year-to-date basis, the sales increase reflected a 50%, 10% and 31% increase in the Company’s revenue from the RV, MH, and industrial markets, respectively.

Approximately $11.6 million and $20.7 million of the revenue improvement in the third quarter and first nine months of 2014, respectively, was attributable to the incremental contribution of acquisitions completed in 2013 and 2014. Sales were also positively impacted during the third quarter and first nine months of 2014 by a 9% and 7% increase, respectively, in wholesale unit shipments in the MH industry.

Gross Profit. Gross profit increased $1.6 million to $7.4 million in third quarter 2014 from $5.8 million in 2013. As a percentage of sales, gross profit was 14.8% in third quarter 2014 compared to 16.9% in 2013. The decrease in gross profit as a percentage of sales for the third quarter of 2014 is primarily attributable to an increase in sales of a lower margin product at certain of the Company's distribution facilities.

For the first nine months of 2014, gross profit increased $4.1 million to $21.4 million in 2014 compared to $17.3 million in 2013. As a percentage of sales, gross profit was 15.5% in the first nine months of 2014 compared to 17.1% in 2013. The decrease in gross profit as a percentage of sales for the first nine months of 2014 is primarily attributable to an increase in sales of a lower margin product at certain of the Company's distribution facilities.

Operating Income. Operating income in third quarter 2014 increased $0.7 million to $2.7 million from $2.0 million in the prior year period. For the first nine months of 2014, operating income increased $1.2 million to $7.5 million from $6.3 million in the first nine months of 2013. The overall increase in revenue, as well as the acquisition of several new product lines associated with the West Side distribution business acquired in the third quarter of 2013, made a positive contribution to operating income during the third quarter and first nine months of 2014. The increase in operating income in the first nine months of 2014 was partially offset by: (i) increased overtime expenses for Company fleet drivers and greater utilization of more costly third party contract drivers, particularly in the first half of 2014, in certain of our distribution operations related to the driver shortage previously described; (ii) unexpected inefficiencies in our shipping schedules due to the severe winter weather conditions in the Midwest in the first quarter of 2014; and (iii) distribution related overhead and assembly costs in one of our significantly growing distribution operations.

Unallocated Corporate Expenses

Unallocated corporate expenses in the third quarter of 2014 increased $0.7 million to $2.5 million from $1.8 million in the comparable prior year period. In the first nine months of 2014, unallocated corporate expenses increased $0.6 million to $7.8 million from $7.2 million in the first nine months of 2013. Unallocated corporate expenses in both the third quarter and first nine months of 2014 included the impact of an increase in administrative wages, incentives and payroll taxes, and additional headcount. In addition, the Company incurred certain transaction-related expenses in connection with the evaluation and completion of acquisition opportunities that were partially offset by the recognition of gains associated with certain transactions completed in 2012 and 2013 in which the conditions for payment of contingent consideration were not achieved. See “SG&A” discussion above for further details.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Operating Activities

Cash flows from operations represent the net income earned in the reported periods adjusted for non-cash items and changes in operating assets and liabilities. Our primary sources of liquidity have been cash flows from operating activities and borrowings under our 2012 Credit Facility (as defined herein). Our principal uses of cash in 2014 are to support working capital demands, support our acquisition and capital expenditure plans, and repurchase the Company’s common stock.

Net cash provided by operating activities was $23.2 million in the first nine months of 2014 compared to $21.5 million in the first nine months of 2013. Net income was $23.4 million in the first nine months of 2014 compared to $19.0 million in the 2013 period. Trade receivables increased $15.2 million in the first nine months of 2014 and $14.3 million in the same period of 2013 reflecting increased sales levels in each of those periods, including the post-acquisition sales increases of the acquisitions completed in 2012, 2013 and 2014.

Inventories increased $8.3 million in the first nine months of 2014 compared to a $6.8 million increase in the comparable 2013 period, primarily reflecting higher sales volumes and related higher inventory levels associated with acquisitions completed in 2012, 2013 and 2014. We expect our inventory turn levels to begin to increase in the fourth quarter of 2014 and into the first quarter of 2015 based on the expected seasonality of our business, and we continue to work together with key suppliers to match lead-time and minimum order requirements and to take advantage of

strategic buying opportunities.

The $11.9 million net increase in accounts payable and accrued liabilities in the first nine months of 2014 compared to the $14.7 million net increase in the comparable 2013 period primarily reflected the increased level of business activity and ongoing operating cash management, and the impact of acquisitions.

From a tax perspective, the Company had federal and state net operating loss carry forwards (“NOLs”) which resulted in virtually no cash taxes being paid other than franchise taxes and various state filing taxes prior to 2013. The Company fully utilized its remaining federal NOL in the first half of 2013. The Company paid income taxes of $16.0 million and $6.4 million during the first nine months of 2014 and 2013, respectively.

The Company recorded income taxes at an estimated effective tax rate of 38.5% in the first nine months of 2014. In the first six months of 2013, the Company recorded income taxes at an estimated effective tax rate of 39%. In the third quarter of 2013, the Company determined that its estimated effective tax rate for the full year of 2013 would be approximately 38%. As a result, the Company recorded income taxes at a rate of 35.4% in the third quarter of 2013 in order to achieve a blended rate of 38% for the first nine months of 2013. As we continue to refine our federal and state income tax estimates, which are impacted by permanent differences impacting the effective tax rate and shifts in apportionment factors among states as a result of recent acquisition activity and other factors, we could experience further fluctuations in our combined effective income tax rate from period to period and for the remainder of 2014.

Investing Activities

Investing activities used cash of $66.8 million in the first nine months of 2014 primarily to fund: (i) the acquisitions of Precision, Foremost and PolyDyn3, totaling $62.6 million in the aggregate; and (ii) capital expenditures of $4.2 million. Investing activities used cash of $20.8 million in the first nine months of 2013 primarily to fund: (i) the acquisitions of Frontline, Premier and West Side, together totaling $16.5 million; and (ii) capital expenditures of $5.2 million. In addition, investing activities provided cash of $1.0 million related to net proceeds from the sale of the Kansas distribution facility and the sale of various machinery and equipment.

The capital plan for full year 2014 includes spending related to the ongoing replacement of our current ERP system, equipment upgrades to ensure that our facilities have the capacity, capabilities and technology to facilitate our growth plans, and other strategic capital and maintenance improvements. Our current operating model forecasts capital expenditures for fiscal 2014 of approximately $8.0 million.

Financing Activities

Net cash flows provided by financing activities were $46.2 million in the first nine months of 2014 compared to $9.4 million in the comparable 2013 period. As of September 28, 2014, availability under the revolving line of credit under the 2012 Credit Facility was approximately $17.0 million (excluding cash on hand of $2.7 million).

The net increase in borrowings of $52.3 million under the Company’s revolving line of credit in the first nine months of 2014 primarily reflected the funding of the Precision, Foremost and PolyDyn3 acquisitions, stock repurchases and capital expenditures (in the aggregate totaling $73.7 million), net of debt reduction. For the first nine months of 2013, net long-term debt borrowings of $13.3 million included borrowings on the 2012 Credit Facility to fund the September 2013 acquisitions.

In the first nine months of 2013, the Company used cash to repurchase 407,330 shares of common stock, for a total cost of $6.1 million, under the $10.0 million stock repurchase program authorized by the Board in February 2013. In February 2014, the Board authorized an increase in the amount of the Company’s stock that may be acquired through the existing stock repurchase program over the following 12 months to $20.0 million, including approximately $3.9 million available under the previous authorization.

In the first nine months of 2014, the Company repurchased 172,729 shares at an average price of $40.11 per share for a total cost of approximately $6.9 million. Since the inception of the stock repurchase program in February 2013

through October 24, 2014, the Company has repurchased in the aggregate 704,137 shares at an average price of $25.47 per share for a total cost of approximately $17.9 million. As of October 24, 2014, there was approximately $8.2 million available to be repurchased under the authorized stock repurchase program.

Cash provided by financing activities in the first nine months of 2014 and 2013 also included $1.1 million and $2.4 million, respectively, at the then estimated effective combined federal and state tax rate, related to the realization of excess tax benefits on stock-based compensation, which had not been recorded as deferred tax assets at December 31, 2013 and 2012, respectively. These tax benefits were recorded to shareholders' equity upon realization.

Capital Resources

2012 Credit Facility

On October 24, 2012, the Company entered into a credit agreement (the "2012 Credit Agreement") with Wells Fargo Bank, National Association as the agent and lender ("Wells Fargo"), and Fifth-Third as participant (collectively, the "Lenders"), to establish a five-year $80.0 million revolving secured senior credit facility (the "2012 Credit Facility").

On June 26, 2014, the Company entered into a fourth amendment to the 2012 Credit Agreement to increase the maximum borrowing limit under the revolving line of credit (the "Revolver") to $125.0 million from $80.0 million.

The 2012 Credit Agreement is secured by a pledge of substantially all of the assets of the Company pursuant to a Security Agreement, dated October 24, 2012, between the Company and Wells Fargo, as agent. The 2012 Credit Agreement includes certain definitions, terms and reporting requirements and includes the following additional provisions:

- The maturity date for the 2012 Credit Facility is October 24, 2017;
- The Company has the option to increase the 2012 Credit Facility by an amount up to $20.0 million upon request to and subject to the approval of the Lenders;
- The interest rates for borrowings under the Revolver are the Base Rate plus the Applicable Margin or the London Interbank Offer Rate ("LIBOR") plus the Applicable Margin, with a fee payable by the Company on unused but committed portions of the Revolver;
- The Revolver includes a sub-limit up to $5.0 million for same day advances ("Swing Line") which shall bear interest based upon the Base Rate plus the Applicable Margin;
- Up to $20.0 million of the Revolver will be available as a sub facility for the issuance of standby letters of credit, which are subject to certain expiration dates;
- The financial covenants include requirements as to a consolidated total leverage ratio and a consolidated interest coverage ratio, and other covenants include limitations on permitted acquisitions, capital expenditures, indebtedness, restricted payments and fundamental changes (see further details below); and
- Customary prepayment provisions which require the prepayment of outstanding amounts under the Revolver based on predefined conditions.

At September 28, 2014, the Company had $107.3 million outstanding under its Revolver which consisted of $96.0 million of borrowings under the LIBOR-based option and $11.3 million of borrowings under the Base Rate-based option. The interest rate for borrowings under the Revolver at September 28, 2014 was the Prime Rate plus 0.50% (or 3.75%), or LIBOR plus 1.50% (or 1.625%). At December 31, 2013, the Company had $55.0 million of borrowings outstanding, all of which were under the LIBOR-based option of LIBOR plus 1.50% (or 1.6875%). The fee payable on committed but unused portions of the Revolver was 0.20% for both of these periods.

Pursuant to the 2012 Credit Agreement, the financial covenants include (a) a maximum consolidated total leverage ratio, measured on a quarter-end basis, not to exceed 3.50:1.00 for the 12 month period ending on such quarter-end; (b) a required minimum consolidated interest coverage ratio under the Revolver, measured on a quarter-end basis, of at least 2.25:1.00 for the 12 month period ending on such quarter-end; and (c) a limitation on annual capital expenditures of $10.0 million for 2014 and for subsequent fiscal years, exclusive of acquisitions. If the consolidated total leverage ratio is in excess of 3.00:1.00 and less than 3.50:1.00, the Company is considered to be in compliance with this financial covenant provided it maintains an asset coverage ratio of at least 1.00 to 1.00 as of the close of each period.

The consolidated total leverage ratio is the ratio for any period of (i) consolidated total indebtedness to (ii) earnings before interest, taxes, depreciation and amortization ("EBITDA"). Consolidated total indebtedness for any period is the sum of (i) total debt outstanding under the Revolver, (ii) capital leases and letters of credit outstanding, and (iii) deferred payment obligations. The asset coverage ratio for any period is the ratio of (i) eligible amounts of the

Company’s trade payables, inventory and fixed assets, minus certain reserves as defined under the 2012 Credit Agreement to (ii) the sum of outstanding obligations under the 2012 Credit Facility.

The consolidated interest coverage ratio for any period is the ratio of (i) EBITDA minus depreciation to (ii) the sum of consolidated interest expense plus restricted payments made by the Company.

As of and for the fiscal nine-month period ended September 28, 2014, the Company was in compliance with all three of these financial covenants at each reporting date. The required maximum total leverage ratio, minimum interest coverage ratio, and the annual capital expenditures limitation amounts compared to the actual amounts as of and for the fiscal nine-month period ended September 28, 2014 are as follows:

(thousands except ratios)	Required	Actual
Consolidated leverage ratio (12-month period)	3.50	1.50
Consolidated interest coverage ratio (12-month period)	2.25	7.30
Annual capital expenditures limitation (actual year-to-date)	$ 10,000	$4,184

Summary of Liquidity and Capital Resources

Our primary sources of liquidity are cash flow from operations, which includes selling our products and collecting receivables, available cash reserves and borrowing capacity available under the 2012 Credit Facility. Our principal uses of cash are to meet working capital demands, support our acquisition and capital expenditure plans, and the repurchase of the Company’s common stock.

Borrowings under the revolving line of credit under the 2012 Credit Facility are subject to a maximum borrowing limit of $125.0 million and are subject to variable rates of interest. The Company has the option to increase the revolving credit in an amount of up to $20.0 million upon request to and subject to the approval of the Lenders. The unused availability under the 2012 Credit Facility as of September 28, 2014 was $17.0 million. In addition, the Company had cash and cash equivalents of $2.7 million as of September 28, 2014. We believe that our existing cash and cash equivalents, cash generated from operations, and available borrowings under our 2012 Credit Facility will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months, exclusive of any acquisitions, based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs.

Our ability to access unused borrowing capacity under the 2012 Credit Facility as a source of liquidity is dependent on our maintaining compliance with the financial covenants as specified under the terms of the 2012 Credit Agreement. For the first nine months of 2014 and for the fiscal year ended December 31, 2013, we were in compliance with all of our debt covenants at each reporting date as required under the terms of the 2012 Credit Agreement.

In 2014, our management team is focused on increasing market share, maintaining margins, keeping costs aligned with revenue, further improving operating efficiencies, managing inventory levels and pricing, acquiring businesses and product lines that meet established criteria, and the ongoing implementation of our new ERP system at our

operating divisions that have not yet been converted, all of which may impact our sources and uses of cash from period to period and impact our liquidity levels. In addition, future liquidity and capital resources may be impacted as we continue to make targeted capital investments to support new business and leverage our operating platform and to repurchase common stock in conjunction with the Company's previously announced stock buyback program.

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

CRITICAL ACCOUNTING POLICIES

There have been no material changes to our significant accounting policies which are summarized in the MD&A and Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013.

OTHER

Seasonality

Manufacturing operations in the RV and MH industries historically have been seasonal and generally had been at the highest levels when the climate is moderate. Accordingly, the Company's sales and profits had generally been the highest in the second and third quarters. Seasonal industry trends in the past several years have included the impact related to the addition of major RV manufacturer open houses for dealers to the September/October timeframe, whereby dealers are delaying purchases until new product lines are introduced at these shows. This has resulted in seasonal softening in the RV industry beginning in the mid-third quarter and extending through October, and when combined with our increased concentration in the RV industry, led to a seasonal trend pattern in which the Company achieves its strongest sales and profit levels in the first half of the year.

Inflation

The prices of key raw materials, consisting primarily of lauan, gypsum, and particleboard, and components used by the Company that are made from these raw materials, are influenced by demand and other factors specific to these commodities, such as the price of oil, rather than being directly affected by inflationary pressures. Prices of certain commodities have historically been volatile and have continued to fluctuate in 2013 and 2014. During periods of rising commodity prices, we have generally been able to pass the increased costs to our customers in the form of surcharges and price increases. We do not believe that inflation had a material effect on results of operations for the periods presented.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

The Company makes forward-looking statements with respect to financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive position, growth opportunities for existing products, plans and objectives of management, markets for the common stock of Patrick Industries, Inc. and other matters from time to time and desires to take advantage of the "safe harbor" which is afforded such statements under the Private Securities Litigation Reform Act of 1995 when they are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements. The statements contained in the foregoing "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as other statements contained in the quarterly report and statements contained in future filings with the Securities and Exchange Commission ("SEC"), publicly disseminated press releases, quarterly earnings conference calls, and statements which may be made from time to time in the future by management of the Company in presentations to shareholders, prospective investors, and others interested in the business and financial affairs of the

Company, which are not historical facts, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. Any projections of financial performance or statements concerning expectations as to future developments should not be construed in any manner as a guarantee that such results or developments will, in fact, occur. There can be no assurance that any forward-looking statement will be realized or that actual results will not be significantly different from that set forth in such forward-looking statement. The Company does not undertake to publicly update or revise any forward-looking statements except as required by law. Factors that may affect the Company's operations and prospects are contained in the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and in the Company's Form 10-Qs for subsequent quarterly periods, which are filed with the SEC and are available on the SEC's website at www.sec.gov.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk primarily in relation to our cash and short-term investments. The interest rate we may earn on the cash we invest in short-term investments is subject to market fluctuations. We utilize a mix of investment maturities based on our anticipated cash needs and evaluation of existing interest rates and market conditions. While we attempt to minimize market risk and maximize return, changes in market conditions may significantly affect the income we earn on our cash and cash equivalents and short-term investments.

At September 28, 2014, our total debt obligations under the 2012 Credit Agreement were under LIBOR-based and prime rate-based interest rates. A 100 basis point increase in the underlying LIBOR and prime rates would result in additional annual interest cost of approximately $1.1 million, assuming average related revolving debt subject to variable rates of $107.3 million, which was the amount of related borrowings at September 28, 2014 subject to variable rates.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains "disclosure controls and procedures", as such term is defined under Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934, as amended (the "Exchange Act") reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, the Company's management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and the Company's management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the third quarter ended September 28, 2014 or subsequent to the date the Company completed its evaluation, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Items 1, 3, 4 and 5 of Part II are not applicable and have been omitted.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013 except for the following:

A significant portion of our common stock is held by Tontine Capital Partners, L.P. and affiliates (collectively, "Tontine Capital"), which has the ability to influence our affairs significantly, including all matters requiring shareholder approval, and whose interests may not be aligned with the interests of our other shareholders. In addition, the ownership of a major portion of our common stock is concentrated in the hands of a few holders.

Based on information contained in filings by Tontine Capital with the SEC on March 19, 2014, April 3, 2014, and on various dates during the period of July 16, 2014 through October 9, 2014, the aggregate number of shares of the Company's common stock beneficially owned by Tontine Capital was 2,340,529 as of October 9, 2014, or 22.1% of our shares then outstanding, a decrease from 2,559,430 shares as of March 16, 2014 or 24.0% of our common stock then outstanding. The decrease reflects the dispositions on March 17 through March 19, 2014, and from July 14 through October 6, 2014, of 193,901 shares in the aggregate held by Tontine Capital (including 135,901 shares sold pursuant to the 10b5-1 Plan described below), as well as the distribution on April 1, 2014 of 25,000 shares to investors in connection with the redemption of ownership interests in an affiliate of Tontine Capital held by those investors.

Based on information contained in a filing by Tontine Capital with the SEC on June 20, 2014, Tontine Capital entered into a 10b5-1 Plan on June 13, 2014 with Cantor Fitzgerald & Co. (“Cantor”) in which Tontine Capital directed Cantor to seek to dispose of up to 150,000 shares of the Company’s common stock held by Tontine Capital between July 14, 2014 and February 28, 2015. Transactions under the 10b5-1Plan are subject to certain price restrictions and Tontine Capital may terminate the 10b5-1 Plan at any time. As of October 24, 2014, Tontine Capital has sold 135,901 shares pursuant to the 10b5-1 Plan.

Tontine Capital has the ability to influence our affairs significantly, including all matters requiring shareholder approval, including the election of our directors, the adoption of amendments to our Articles of Incorporation, the approval of mergers and sales of all or substantially all of our assets, decisions affecting our capital structure and other significant corporate transactions. In addition to its current major interest, pursuant to a Securities Purchase Agreement with Tontine Capital, dated April 10, 2007, if Tontine Capital (i) holds between 7.5% and 14.9% of our common stock then outstanding, Tontine Capital has the right to appoint one nominee to our board; or (ii) holds at least 15% of our common stock then outstanding, Tontine Capital has the right to appoint two nominees to our board. As of October 24, 2014, Tontine Capital has one director on the Company’s board of directors and has not exercised its right to nominate a second director to the board.

The interests of Tontine Capital may not in all cases be aligned with the interests of our other shareholders. The influence of Tontine Capital may also have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our shareholders to approve transactions that they may deem to be in their best interests. In addition, Tontine Capital and its affiliates are in the business of investing in companies and may, from time to time, invest in companies that compete directly or indirectly with us. Tontine Capital and its affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

The ownership of a major portion of our common stock is concentrated in the hands of Tontine Capital and a few other holders. We are not able to predict whether or when Tontine Capital or other large stockholders will sell or otherwise dispose of additional shares of our common stock. Sales or other dispositions of our common stock by these stockholders could adversely affect prevailing market prices for our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
June 30-July 27, 2014	-	$ -	-	$16,316,946
July 28-August 31, 2014	17,016	41.10	17,016	15,617,548
Sept. 1-Sept. 28, 2014	61,167	41.61	61,167	13,072,311
Total	78,183	41.50	78,183	

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

(2) On February 22, 2013, the Board authorized a stock repurchase program for purchasing up to $10.0 million of the Company's common stock over the following 12 months. On February 13, 2014, the Board authorized an increase in the amount of the Company's stock that may be acquired through the existing stock repurchase program over the following 12 months to $20.0 million, including approximately $3.9 million available under the previous authorization.

In the third quarter of 2014, the Company repurchased 78,183 shares at an average price of $41.50 per share for a total cost of approximately $3.2 million. In the first nine months of 2014, the Company repurchased 172,729 shares at an average price of $40.11 per share for a total cost of approximately $6.9 million.

In the period from September 29, 2014 to October 24, 2014 (during the Company's fourth fiscal quarter), the Company repurchased 124,078 shares at an average price of $39.72 per share for a total cost of approximately $4.9 million. Since the inception of the stock repurchase program in February 2013 through October 24, 2014, the Company has repurchased in the aggregate 704,137 shares at an average price of $25.47 per share for a total cost of approximately $17.9 million. As of October 24, 2014, there was approximately $8.2 million available to be repurchased under the authorized stock repurchase program.

ITEM 6. EXHIBITS

Exhibits	Description
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer and Chief Financial Officer
101	Interactive Data Files. The following materials are filed electronically with this Quarterly Report on Form 10-Q: 101.INS XBRL Instance Document 101.SCH XBRL Taxonomy Schema Document 101.CAL XBRL Taxonomy Calculation Linkbase Document 101.DEF XBRL Taxonomy Definition Linkbase Document 101.LAB XBRL Taxonomy Label Linkbase Document 101.PRE XBRL Taxonomy Presentation Linkbase Document

SIGNATURES

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

PATRICK INDUSTRIES, INC.
(Registrant)

Date: November 7, 2014	By:	/s/ Todd M. Cleveland Todd M. Cleveland Chief Executive Officer
Date: November 7, 2014	By:	/s/ Andy L. Nemeth Andy L. Nemeth Executive Vice President-Finance and Chief Financial Officer