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

Form 10-K

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number 1-14982

HUTTIG BUILDING PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation
or organization)

43-0334550
(I.R.S. Employer
Identification No.)

555 Maryville University Drive
Suite 400
St. Louis, Missouri 63141
(Address of principal executive offices, including zip code)
(314) 216-2600
(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one): Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐ Smaller Reporting Company ☐ Emerging Growth Company ☐

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

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of the last business day of the quarter ended June 30, 2017 was approximately \$170 million. For purposes of this calculation only, the registrant has excluded stock beneficially owned by the registrants' directors and officers. By doing so, the registrant does not admit that such persons are affiliates within the meaning of Rule 405 under the Securities Act of 1933 or for any other purposes.

The number of shares of Common Stock outstanding on February 15, 2018 was 25,996,461 shares.

DOCUMENTS INCORPORATED HEREIN BY REFERENCE.

Parts of the registrant's definitive proxy statement for the 2018 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

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

This annual report on Form 10-K (this “Annual Report”) and our annual report to stockholders contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “believe,” “estimate,” “project” or similar expressions may identify forward-looking statements, although not all forward-looking statements contain such words. Statements made in this Annual Report and our annual report to stockholders looking forward in time, including, but not limited to, statements regarding our current views with respect to financial performance, future growth in the housing market, distribution channels, sales, favorable supplier relationships, inventory levels, the ability to meet customer needs, enhanced competitive posture, strategic initiatives, financial impact from litigation or contingencies, including environmental proceedings, are included pursuant to the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995.

These statements present management’s expectations, beliefs, plans and objectives regarding our future business and financial performance. We cannot guarantee that any forward-looking statements will be realized or achieved. These forward-looking statements are based on current projections, estimates, assumptions and judgments, and involve known and unknown risks and uncertainties. We disclaim any obligation to publicly update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise.

There are a number of factors, some of which are beyond our control that could cause our actual results to differ materially from those expressed or implied in the forward-looking statements. These factors include, but are not limited to: the strength of construction, home improvement and remodeling markets and the recovery of the homebuilding industry to levels consistent with the Historical Average; the cyclical nature of our industry; the uncertainties resulting from changes to United States and foreign laws, regulations and policies including the federal Tax Cuts and Jobs Act of 2017; the cost of environmental compliance, including actual expenses we may incur to resolve proceedings we are involved in arising out of a formerly owned facility in Montana; any limitations on our ability to utilize our deferred tax assets to reduce future taxable income and tax liabilities; our ability to comply with, and the restrictive effect of, the financial covenant applicable under our credit facility; the loss of a significant customer; deterioration of our customers’ creditworthiness or our inability to forecast such deteriorations; commodity prices; risks associated with our private brands; termination of key supplier relationships; risks of international suppliers; competition with existing or new industry participants; goodwill impairment; the seasonality of our operations; significant uninsured claims; federal and state transportation regulations; fuel cost increases; our failure to attract and retain key personnel; deterioration in our relationship with our unionized employees, including work stoppages or other disputes; funding requirements for multi-employer pension plans for our unionized employees; product liability claims and other legal proceedings including the PrimeSource litigation; the integration of any business we acquire and the liabilities of such businesses; and those factors set forth under Item 1A – “Risk Factors.” These factors may not constitute all factors that could cause actual results to differ from those discussed in any forward-looking statement. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results.

PART I

ITEM 1—BUSINESS

General

Huttig Building Products, Inc., a Delaware corporation incorporated in 1913, was founded in 1885 and is a leading domestic distributor of millwork, building materials and wood products used principally in new residential construction and in-home improvement, remodeling and repair work. We purchase from leading manufacturers and distribute our products through 27 wholesale distribution centers serving 41 states. Our distribution centers sell principally to building materials dealers, national buying groups, home centers and industrial users, including makers of manufactured homes. For the year ended December 31, 2017, we generated net sales of \$753.2 million.

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

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

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

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

In this Annual Report, when we refer to "Huttig," the "Company," "we" or "us," we mean Huttig Building Products, Inc. and its subsidiary unless the context indicates otherwise.

Industry Characteristics and Trends

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

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

New housing activity in the United States has shown modest improvement each year since 2009, the trough period of the housing downturn. However, 2017 activity was still below the historical average of total housing starts from 1959 to 2017 of approximately 1.4 million starts based on statistics tracked by the U.S. Census Bureau ("Historical Average"). Total new housing starts in the United States were approximately 1.2 million, 1.2 million and 1.1 million in 2017, 2016 and 2015, respectively. Total new single family housing starts were 0.8 million, 0.8 million and 0.7 million in 2017, 2016 and 2015, respectively, based on data from the U.S. Census Bureau. According to the U.S. Census Bureau, total spending on new single family residential construction was \$265 billion, \$243 billion and \$233 billion in 2017, 2016 and 2015, respectively.

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

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

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

Strategic Initiatives

Our strategy is to increase shareholder value through the growth and diversification of our business. To accomplish this, we have developed strategic initiatives that require investments in our infrastructure, our people and technology platform. Our goals are to accelerate our growth and diversify our business, which we believe will improve operating leverage over the intermediate term.

To accelerate our growth and diversification, we have made strategic capital and operating investments to execute our product line expansion and market segment penetration organic growth initiatives. The national expansion of our Huttig-Grip product line, which is sourced both domestically and internationally, expands the breadth and geographical coverage of our private label specialty building product lines. Through our investments in automated, high-capacity pre-finish door lines and segment-focused sales resources, further penetration of the home improvement, repair and remodel market diversifies our business to be less dependent on new home construction, reinforces our position as the largest, value-add door fabricator to the professional residential construction market in the country, and accelerates our growth in higher value, and higher gross margin products.

In addition to the above initiatives, we continue to invest in our organization to attract the best talent to achieve our goal of creating a top performing, disciplined organization with the most talented, engaged, and

empowered people. We also continue to invest in our technology platform to derive improved operating efficiencies in the functional areas of the business while delivering the most advanced customer interface technology to make Huttig the clear supplier of choice of the products we sell.

Products

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

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

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

	2017	2016	2015
Millwork	51%	51%	49%
Building Products	40%	39%	40%
Wood Products	9%	10%	11%

Customers

During 2017, we served approximately 3,600 customers, with one customer, Lumbermen's Merchandising Corporation ("LMC") - accounting for 14% of our sales in 2017, 14% in 2016 and 13% in 2015. LMC is a buying group representing multiple building material dealers. Our top 10 customers accounted for approximately 42% of our total sales in 2017.

Building materials pro dealers represent our single largest customer group. Within the pro dealer category, a large percentage of our sales are to national accounts, including buying groups. These are large pro dealers, or groups of pro dealers, that generally operate in more than one state or region. We also sell to short line specialty dealers that focus on specific segments of the building industry, national retail home centers, and manufactured housing. We believe that our size, which lets us purchase in bulk, achieve operating efficiencies, operate on a national scale and offer competitive pricing, makes us well suited to service the various segments of the dealer community. Our sales to national accounts, including buying groups, were 49% of our total sales in 2017, 45% in 2016 and 43% in 2015.

Organization

Huttig operates on a nationwide basis. Customer sales are conducted through 27 distribution centers serving 41 states. Administrative and executive management functions are centralized at our headquarters located in St. Louis, Missouri. We believe that this structure permits us to be closer to our customers and serve them better, while being able to take advantage of certain efficiencies of scale that come from our size.

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

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

Sales

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

Distribution Strategy and Operations

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

We purchased products from more than 700 different suppliers in 2017. We generally negotiate with our major suppliers on a national basis to leverage our total volume purchasing power, which we believe provides us with an advantage over our locally based competitors. The majority of our purchases are made from suppliers that offer payment discounts and volume related incentive programs. Although we generally do not have exclusive distribution rights for our key products and we do not have long-term contracts with many of our suppliers, we believe our national footprint, buying power and distribution network make us an attractive distributor for many manufacturers. Moreover, our long operating history has allowed us to forge long-standing relationships with many of our key suppliers who rely on us as a critical part of their supply chain.

We regularly evaluate opportunities to introduce new products. This is primarily driven by opportunities created by customer demand or market requirements. We have found that customers generally welcome a greater breadth of product offering as it can improve their purchasing and operating efficiencies by providing for “one stop” shopping. Similarly, selectively broadening our product offering enables us to drive additional products through our distribution system, thereby increasing the efficiency of our operations by better leveraging our existing infrastructure. The benefit created by this operating leverage may be offset by the cost to establish the new product line, expand our facilities and purchase the inventory. During 2017, the Company continued to focus on the growth of our Huttig-Grip private label construction fastener and specialty building product lines. The Company expanded the scope of our international sourcing activities for our private label products which offers the opportunity to increase margins, but the longer lead-times on internationally sourced products also requires an increased investment in inventory. The Company also continued to invest in its automated, high-capacity pre-finish door lines and also focused sales resources to continue to penetrate the home improvement, repair and remodel market.

We focus on selling respected, brand name products. We believe that brand awareness is an important factor in building products purchasing decisions. We generally benefit from the quality levels, marketing initiatives and product support provided by manufacturers of branded products. We also benefit from the positive attributes that customers typically equate with branded products. Additionally, we market and offer certain products under our private label brands, including Huttig-Grip. We believe that these products are attractive to our customers based on their quality and competitive pricing.

Competition

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

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

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

Seasonality, Market Conditions and Working Capital

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

Our results of operations are affected by new housing activity in the United States. In 2017, total housing starts increased approximately 2%, to 1.2 million, but were still below the Historical Average of approximately 1.4 million. Based on the current level of housing activity and industry forecasts, we expect new housing activity will continue to increase in 2018, though still remain below the Historical Average.

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

the Southeast region of the United States during the third and fourth quarters, can have an adverse impact on our results in a particular period.

We depend on cash flow from operations and funds available under our revolving credit facility to finance seasonal working capital needs, capital expenditures, the investment of our product lines, including Huttig-Grip, and any acquisitions that we may undertake. Typically, our working capital requirements are generally greatest in the second and third quarters, which reflect the seasonal nature of our business. The second and third quarters also tend to be our strongest operating quarters, largely due to more favorable weather throughout many of our markets compared to the first and fourth quarters. We typically generate cash from working capital reductions in the fourth quarter of the year and build working capital during the first quarter in preparation for our second and third quarters. We also maintain significant inventories to meet the rapid delivery requirements of our customers and to enable us to obtain favorable pricing, delivery and service terms with our suppliers. In 2017, our working capital was impacted significantly as we continued to invest in inventory related to the growth of our Huttig-Grip product line. The Company sources its private label product internationally and domestically. Sourcing Huttig-Grip products internationally requires longer lead-times and higher inventory levels to ensure available supply, but it also provides the opportunity for higher margins. At December 31, 2017 and 2016, inventories and accounts receivables constituted approximately 73% and 69% of our total assets, respectively. We also closely monitor operating expenses and inventory levels during seasonally affected periods and, to the extent possible, manage variable operating costs to minimize seasonal effects on our profitability.

Credit

Huttig maintains an overall credit policy for sales to customers and then delegates responsibility for most credit decisions to credit personnel responsible for individual regions. Our credit policies, together with careful monitoring of customer balances, have resulted in bad debt expense of less than 0.1% in each of 2017, 2016, and 2015. Approximately 99% of our sales in 2017 were to customers to whom we had provided credit for those sales.

Backlog

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

Trade Names

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

Employees

As of December 31, 2017, we employed approximately 1,300 people, of which approximately 12% were represented by eight unions. We have not experienced any significant strikes or other work interruptions in recent years and have maintained generally favorable relations with our employees. The Company has one union contract covering approximately 1% of our employees which is currently in negotiations.

Available Information

We file with the U.S. Securities and Exchange Commission (“SEC”) quarterly and annual reports on Forms 10-Q and 10-K, respectively, current reports on Form 8-K and proxy statements pursuant to the Securities Exchange

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

Our website address is <http://www.huttig.com>. The contents of our website are not part of this Annual Report. We make available, free of charge on the “Investors” section of our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the 1934 Act. This information is available on our website as soon as reasonably practicable after we electronically file it with, or furnish it to, the SEC. Reports of beneficial ownership filed pursuant to Section 16(a) of the 1934 Act are also available through our website.

ITEM 1A—RISK FACTORS

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

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

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

New housing activity in the United States has shown modest improvement each year since 2009. However, 2017 activity of 1.2 million was still below the Historical Average of approximately 1.4 million starts. We expect the level of new housing activity in 2018 to continue to be below the Historical Average. A prolonged downturn in current construction levels or any significant downturn in the major markets we serve or in the economy in general could have a material adverse effect on our operating results, liquidity and financial condition, including but not limited to our ability to comply with the financial covenant under our credit facility and the valuation of our goodwill. Reduced levels of construction activity may result in continued intense price competition among building materials suppliers, which may adversely affect our gross margins. We cannot provide assurance that our responses to a downturn or the government’s attempts to address the troubles in the economy will be successful.

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

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

We cannot assure the successful implementation of our growth initiatives.

In connection with our growth initiatives, including the Strategic Initiatives See Part I, Item 1— “Strategic Initiatives”, we have developed a long-term growth strategy with the objective of delivering sustainable, profitable growth and long-term value for our shareholders.

Our ability to successfully execute on our growth initiatives is subject to various risks and uncertainties. Although we believe that our growth strategy will lead to long-term growth in revenue and profitability, there can be no assurance regarding the timing of or extent to which we will realize the anticipated benefits, if at all. Our failure to realize the anticipated benefits, which may be due to our inability to execute on portions of our growth strategy or as a result of the impact of the other risks described herein, could have a material adverse effect on our business, financial condition, and results of operations.

In execution of our growth initiatives, we may experience higher-than-expected expenses without accompanying current revenues and, therefore, this strategy may be dilutive to our earnings in the short term or longer. There can be no assurance regarding the timing of or the extent to which we will realize the anticipated benefits of these investments in our Company and other costs, if at all.

Our growth initiatives will place a significant strain on our management, operational and financial resources. Failure to manage growth effectively, or obtain necessary working capital to support our growth initiatives, could have a material adverse effect on our business, financial condition, and results of operations.

Current or future litigation and regulatory actions could have a material adverse impact on us.

From time to time, we are subject to litigation and other legal and regulatory proceedings relating to our business. No assurance can be given that the results of these matters will be favorable to us. An adverse resolution of lawsuits, investigations or arbitrations could have a material adverse effect on our business, financial condition and results of operations. Defending ourselves in these matters may be time-consuming, expensive and disruptive to normal business operations and may result in significant expense and a diversion of management’s time and attention from the operation of our business, which could impede our ability to achieve our business objectives and growth strategy. For example, the Company’s involvement in litigation in Colorado, Illinois, and Texas filed by PrimeSource Building Products, Inc. against the Company and eleven of its employees has caused the Company to incur expenses and required significant attention from management. See “Legal Matters” in Note 7—“Commitments and Contingencies” in the notes to our consolidated financial statements under Part II, Item 8 for additional information.

Additionally, any amount that we may be required to pay to satisfy a judgment or settlement may not be covered by insurance. Under our charter and the indemnification agreements that we have entered into with our directors and officers and third parties, we are required to indemnify and advance expenses to them in connection with their participation in certain proceedings. There can be no assurance that any of these payments will not be material.

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

We are subject to federal, state and local environmental protection laws and regulations and may have to incur significant costs to comply with these laws and regulations in the future. Some of our current and former distribution centers are located in areas where environmental contamination may have occurred, and for which we, among others, could be held responsible. As a result, we may incur material environmental liabilities in the future with respect to our current or former distribution center locations. In addition, we may also be held responsible for environmental liabilities associated with products that we distribute or have distributed in the past. For example, we are required to remediate a property formerly owned by us in Montana pursuant to a unilateral administrative order issued by the Montana Department of Environmental Quality (“DEQ”). Although we believe we have accurately estimated the cost of implementing the remediation work at the site based on the information we have currently, we cannot provide assurance of the total cost of implementing the final remediation work at the site due to the currently unknown variables relating to the actual levels of contaminants and additional sampling and testing to ensure the

remediation will achieve the projected outcome required by the DEQ. Our total cost of implementing the final remediation work at the site may exceed the amounts we have accrued for the matter.

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

Approximately 12% of our employees were represented by labor unions as of December 31, 2017. As of December 31, 2017, we had eight collective bargaining agreements. We may become subject to significant wage increases or additional work rules imposed by future agreements with labor unions representing our employees. Any such cost increases or new work rule implementation could increase our operating expenses to a material extent. In addition, although we have not experienced any strikes or other significant work interruptions in recent years and have maintained generally favorable relations with our employees, no assurance can be given that there will not be any work stoppages or other labor disturbances in the future, which could have a material adverse effect on our business, financial condition, and results of operations.

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

We fund our working capital by borrowing funds under a \$250.0 million asset based senior secured revolving credit facility, which contains a minimum fixed charge coverage ratio ("FCCR") that is tested if our excess borrowing availability, as defined in the facility, reaches an amount in the range of less than \$17.5 million to \$31.3 million depending on our borrowing base at the time of testing. For 2017, the minimum FCCR was not required to be tested as excess borrowing availability was greater than the minimum threshold but, if we had been unable to maintain excess borrowing availability of more than the applicable amount in the range of \$17.5 million to \$31.3 million as required, the Company would not have met the minimum required FCCR at December 31, 2017. If in the future, we fail to meet the required FCCR and are unable to maintain excess borrowing availability of more than the applicable required amount, our lenders would have the right to terminate the loan commitments and accelerate the repayment of the entire amount outstanding under the credit facility. Our lenders also could foreclose on our assets that secure our credit facility. In that event, we would be forced to seek alternative sources of financing, which may not be available on terms acceptable to us or at all.

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

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

In addition, the growth in our business may cause us to seek additional financing or increase the size of the credit facility. If we are unable to obtain additional financing, our ability to grow may be limited which could negatively impact our overall operations.

A significant portion of our sales are concentrated with a relatively small number of customers. A loss of one or more of these customers would have material adverse effect on our business, financial condition, and results of operations.

In 2017, our top ten customers represented 42% of our sales, with one customer accounting for 14% of our sales. This customer is a buying group for multiple building material dealers. Although we believe that our

relationships with our customers are strong, the loss of one or more of these customers could have a material adverse effect on our business, financial condition, and results of operations.

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

The majority of our sales are on account where we provide credit to our customers. In 2017, bad debt expense to total net sales was less than 0.1%. Our customers are generally susceptible to the same economic business risks as we are. Furthermore, we may not necessarily be aware of any deterioration in their financial position. If our customers' financial positions become impaired, it could have a significant adverse impact on our bad debt exposure and could have a material adverse effect on our operating results, cash flow and liquidity.

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

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

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

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

We expect to continue to make significant investments in our Huttig-Grip product line. We cannot provide assurance that our investments will be profitable.

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

We distribute building products that we purchase from a number of major suppliers. As is customary in our industry, most of our relationships with these suppliers are terminable without cause on short notice. More than half of our purchases are concentrated with ten suppliers. Although we believe that relationships with our existing suppliers are strong and that in most cases we would have access to similar products from competing suppliers, the termination of key supplier relationships or any other disruption in our sources of supply, particularly of our most commonly sold items, could have a material adverse effect on our business, financial condition and results of operations. Supply shortages resulting from unanticipated demand or production difficulties could occur from time to time and could also have a material adverse effect on our business, financial condition and results of operations.

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

We use international vendors for the supply of certain of our products. Global sourcing and foreign trade involve numerous factors, uncertainties, and risks, some of which are beyond our control, including increased shipping costs, increased import duties, more restrictive quotas, loss of most favored nation trading status, currency

fluctuation, work stoppages, transportation delays, port of entry issues, economic uncertainties such as inflation, foreign government regulations, political unrest, natural disasters, war, terrorism, trade restrictions, political instability, the financial stability of vendors, merchandise quality issues, and tariffs and other import taxes. Additionally, operating in the international marketplace requires us to comply with U.S. and foreign laws and regulations applicable to our foreign operations, such as the Foreign Corrupt Practices Act and its counterparts in other foreign jurisdictions in which we operate. Negative press or reports about internationally manufactured products, which have become increasingly prominent, may sway public opinion, and thus customer confidence, away from the products sold by us. These and other issues affecting our international operations and vendors could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

In addition, our insurance underwriters require collateral, generally in the form of letters of credit, which reduce our borrowing availability under our senior secured credit facility. As of December 31, 2017, we had \$3.6 million in letters of credit outstanding. Changes in the actual number of large claims could increase our collateral requirements and reduce our borrowing availability under our credit facility.

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

We use our own fleet of approximately 165 tractors, 15 trucks and 300 trailers to service customers throughout the United States. The U.S. Department of Transportation (“DOT”) regulates our operations, and we are subject to safety requirements prescribed by the DOT. Vehicle dimensions and driver hours of service also are subject to both federal and state regulation. More restrictive limitations on vehicle weight and size, trailer length and configuration, or driver hours of service could increase our costs. These regulations may be subject to significant modification in connection with the new administration of the U.S. federal government.

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

Uncertainties in the interpretation and application of the 2017 Tax Cuts and Jobs Act could materially affect our tax obligations and effective tax rate.

The 2017 Tax Cuts and Jobs Act (“Tax Act”) was enacted on December 22, 2017, and significantly affected U.S. tax law by changing how the U.S. imposes income tax on multinational corporations. The U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and impact our results of operations in the period issued.

The Tax Act requires complex computations not previously provided in U.S. tax law. As such, the application of accounting guidance for such items is currently uncertain. Further, compliance with the Tax Act and the accounting for such provisions require accumulation of information not previously required or regularly produced. As additional regulatory guidance is issued by the applicable taxing authorities, as accounting treatment is clarified, as we perform additional analysis on the application of the law, and as we refine estimates in calculating the effect, our final analysis, which will be recorded in the period completed, may be different from our current amounts, which could materially affect our tax obligations and effective tax rate.

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

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

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

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

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

As is the case with other companies in our industry, we face the risk of product liability and other claims of the type that are typical to our industry in the event that the use of products that we have distributed causes other damages. Product liability claims in the future, regardless of their ultimate outcome and whether or not covered under our insurance policies or indemnified by our suppliers, could result in costly litigation and have a material adverse effect on our business, financial condition, and results of operations.

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

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

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

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

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

Goodwill is subject to impairment tests at least annually and between annual tests in certain circumstances. We have incurred non-cash impairment charges in certain prior years. At December 31, 2017, we reported goodwill of \$9.5 million. We may be required to incur additional non-cash impairment charges in the future that could have a material adverse effect on our operating results.

Our financial results reflect the seasonal nature of our operations.

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

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

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

from the need to undertake remedial actions and loss of business or potential liability, as well as reputational damage, any of which could have a material adverse effect on our financial condition, results of operations and business.

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

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

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

Our corporate headquarters are located at 555 Maryville University Drive, Suite 400, St. Louis, Missouri 63141, in a leased facility. We own 14 of our 27 distribution centers and lease the remaining properties. The owned distribution centers secure our credit facility. Warehouse space at distribution centers aggregated to approximately 3.2 million square feet as of December 31, 2017. Distribution centers range in size from 21,100 square feet to 260,000 square feet. The types of facilities at these centers vary by location, from traditional wholesale distribution warehouses to facilities with broad product offerings and capabilities for a range of value added services such as pre-hung door operations. We believe that our locations are well maintained and adequate for their use.

ITEM 3—LEGAL PROCEEDINGS

See Note 7—“Commitments and Contingencies” in the notes to our consolidated financial statements under Part II, Item 8. Financial Statements and Supplementary Data for a description of certain of our pending legal and environmental proceedings. We are also party to various other litigation matters, in most cases involving ordinary and routine claims incidental to our business. We cannot reasonably estimate the ultimate legal and financial liability with respect to all pending litigation matters. However, we believe, based on our examination of such matters, that the ultimate liability will not have a material adverse effect on our financial position, results of operation or cash flows.

ITEM 4—MINE SAFETY DISCLOSURES

Not Applicable.

PART II

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

Our common stock trades on the NASDAQ exchange under the ticker symbol “HBP.” At February 15, 2018, there were approximately 1,500 holders of record of our common stock. The following table sets forth the range of high and low sale prices of our common stock:

	2017		2016	
	High	Low	High	Low
First Quarter	\$ 9.02	\$ 6.32	\$ 3.94	\$ 3.01
Second Quarter	9.24	6.36	5.70	3.56
Third Quarter	7.49	5.00	7.00	5.21
Fourth Quarter	7.75	5.70	6.95	4.65

In order to make cash generated available for use in operations, debt reduction, stock repurchases and potential acquisitions, we have not declared, nor do we anticipate at this time declaring or paying, any cash dividends on our common stock. Provisions of our credit facility contain various restrictions, which, among other things, limit our ability to incur indebtedness, incur liens, make certain types of acquisitions, declare or pay dividends, repurchase shares or sell assets outside of the ordinary course of business. Accordingly, the payment of further dividends is at the discretion of the Board of Directors and is further limited by various restrictions contained in our credit facility. See “Liquidity and Capital Resources” under Part II, Item 7— “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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

There were no unregistered sales of equity securities by the Company during the years ended December 31, 2017 or 2016.

Performance Graph

The following Performance Graph and related information shall not be deemed “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The following table compares total shareholder returns for the Company over the past five years to the Standard and Poor’s 500 Stock Index and that of a peer group made up of other building material and industrial products distributors assuming a \$100 investment made on December 31, 2012. Each of the three measures of cumulative total return assumes reinvestment of dividends. The stock performance shown on the graph below is not necessarily indicative of future price performance.



	Huttig Building Products, Inc.	S&P 500	Peer Group (1)
12/12	\$ 100.00	\$ 100.00	\$ 100.00
12/13	\$ 241.25	\$ 132.39	\$ 140.95
12/14	\$ 209.38	\$ 150.51	\$ 140.29
12/15	\$ 237.50	\$ 152.59	\$ 183.23
12/16	\$ 413.13	\$ 170.84	\$ 241.51
12/17	\$ 415.63	\$ 208.14	\$ 311.19

- (1) The peer group is comprised of the following companies: Universal Forest Products, Inc, BlueLinx Holdings, Inc., PGT, Inc., Patrick Industries, Inc. and Builders FirstSource, Inc.

ITEM 6—SELECTED CONSOLIDATED FINANCIAL DATA

The following table summarizes certain selected financial data of continuing operations of the Company as of year-end for each of the five years in the period ended December 31, 2017. The information contained in the following table may not necessarily be indicative of our future performance. Such historical data should be read in conjunction with Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and notes thereto included elsewhere in this report.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
(In Millions, Except Per Share Data)					
Income Statement Data: (1)					
Net sales	\$ 753.2	\$ 713.9	\$ 659.6	\$ 623.7	\$ 561.5
Cost of sales	597.4	562.7	526.3	501.1	450.4
Gross margin	155.8	151.2	133.3	122.6	111.1
Operating expenses	155.7	128.5	119.2	114.3	104.8
Gain on disposal of capital assets	—	—	(0.4)	—	—
Operating income	0.1	22.7	14.5	8.3	6.3
Interest expense, net	3.1	2.2	2.3	2.5	2.6
(Loss) income from continuing operations before income taxes	(3.0)	20.5	12.2	5.8	3.7
Provision for (benefit from) income taxes	3.2	7.2	(17.2)	—	0.1
Net (loss) income from continuing operations	(6.2)	13.3	29.4	5.8	3.6
Per share:					
Net (loss) income from continuing operations (basic and diluted)	(0.25)	0.52	1.17	0.23	0.15
Balance Sheet Data (at end of year):					
Total assets	\$ 245.9	\$ 202.3	\$ 177.4	\$ 158.0	\$ 151.5
Total debt (2)	103.0	55.5	48.6	63.7	62.0
Total shareholders’ equity	66.5	70.5	52.9	25.7	22.9

(1) Amounts exclude operations classified as discontinued.

(2) Includes both current and long-term portions of debt and other obligations. See Note 4—“Debt” of the Notes to Consolidated Financial Statements in Item 8.

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

Overview

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

Industry Conditions

Our sales depend heavily on the strength of local and national new residential construction, home improvement and remodeling markets. New housing activity has shown moderate improvement each year since 2009, the trough period of the downturn. In 2017, total housing starts increased approximately 2%, to 1.2 million, but were still below the Historical Average of approximately 1.4 million. Based on the current level of housing activity and industry forecasts, we expect the increase in new housing activity could continue into 2018 but still remain below the Historical Average.

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

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

Critical Accounting Policies

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

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

Contingencies—We accrue expenses when it is probable that an asset has been impaired or a liability has been incurred and we can reasonably estimate the expense. Contingencies for which we have made accruals include environmental and certain other legal matters. It is possible that future results of operations for any particular quarter or annual period and our financial condition could be materially affected by changes in assumptions or other circumstances related to these matters. We accrue an estimate of the cost of resolution of these matters and make adjustments to the amounts accrued as circumstances change. We expense legal costs as incurred.

Income Taxes—Deferred tax assets and liabilities are recognized for the future tax benefits or liabilities attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates would be recognized in income in the period that includes the enactment date. We regularly review our deferred tax assets for recoverability and establish a valuation allowance when we believe that such assets may not be recovered, taking into consideration historical operating results, expectations of future earnings, changes in operations, the expected timing of the reversal of existing temporary differences and available tax planning strategies. Currently, we have significant deferred tax assets related to federal and state net operating loss carryforwards. We carry a valuation allowance for state net operating loss carryforwards which we believe are more likely than not, will not be realized based on our projections of continued profitability for 2018 and beyond. Although we believe our estimates to be reasonable, differences in our future operating results from these projections could significantly change our estimates of and realization of these deferred tax assets in future periods.

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

Results of Operations

Fiscal 2017 Compared to Fiscal 2016

Continuing Operations

Net sales from continuing operations were \$753.2 million in 2017, which were \$39.3 million, or approximately 6%, higher than 2016. The increase was primarily due to higher levels of construction activity, the expansion of the Huttig-Grip product line and a full year's results from the acquisition of BenBilt, which was completed on April 4, 2016.

Net sales in the major product categories changed as follows in 2017 from 2016: millwork sales increased 5% to \$381.4 million, building product sales increased 7% to \$299.0 million, and wood products increased 2% to \$72.8 million primarily due to increased construction activity and the acquisition of BenBilt. Fluctuations across product categories can occur based on general market conditions, new product incentives, promotions, changes in product lines, and commodity pricing, among other things.

Gross margin increased approximately 3% to \$155.8 million, or 20.7% of net sales, in 2017 as compared to \$151.2 million, or 21.2% of net sales, in 2016. The decrease in gross margin percentage was primarily due to the higher production costs with our millwork products as well as a higher proportion of direct sales in our overall mix.

Operating expenses increased \$27.2 million or approximately 21% to \$155.7 million, or 20.7% of net sales, in 2017, compared to \$128.5 million, or 18.0% of net sales, in 2016. The increase in operating expenses was driven by an increase in personnel costs, which increased \$14.2 million, principally due to hiring of additional sales and warehouse personnel related to our expansion of the Huttig-Grip product line and repair and remodel growth initiatives. Non-personnel expenses were \$12.5 million higher in 2017 as compared to 2016 primarily due to costs associated with the expansion of the Huttig-Grip product line and our repair and remodel growth initiatives including higher marketing costs, rent, and other administrative costs, as well as, legal expenses associated with the ongoing litigation (see Note 7 – "Commitments and Contingencies" of the Notes to Consolidated Financial Statements in Item 8 for more information regarding the litigation).

Net interest expense was \$3.1 million in 2017 compared to \$2.2 million in 2016. The increase was due to higher average outstanding debt and higher borrowing rates in 2017 versus 2016.

An income tax provision of \$3.2 million was recognized for the year ended December 31, 2017 compared to \$7.2 million for the year ended December 31, 2016. The income tax expense in 2017 was driven by the impact of the Tax Cuts and Jobs Act (the "Tax Act") that was enacted on December 22, 2017. The Company recognized \$4.5 million in tax expense related to the net change in our deferred tax assets and liabilities as a result of the Tax Act's reduction of the U.S. Federal tax rate from 35% to 21%. The lower U.S. corporate income tax rate is effective January 1, 2018, however, our deferred tax assets and liabilities were adjusted in 2017 when the new tax law was enacted. Excluding the impact of this adjustment, as well as other immaterial tax adjustments, the Company would have recognized a tax benefit of approximately \$1.3 million. See Note 10 — "Income Taxes" of the Notes to Consolidated Financial Statements in Item 8 for more information.

As a result of the foregoing factors, we reported a loss from continuing operations of \$6.2 million in 2017 as compared to income from continuing operations of \$13.3 million in 2016.

Discontinued Operations

We recorded a \$0.9 million after-tax loss from discontinued operations in 2017 due to an increase in the estimated cost of our environmental liability. See Note 7 — "Commitments and Contingencies" of the Notes to Consolidated Financial Statements in Item 8 for more information regarding the environmental liability. We recorded \$3.0 million in after-tax income from discontinued operations in 2016 primarily as a result of payments received from settlement agreements with insurers, as well as with Crane Co., in connection with the declaratory action filed in the United States court for the Eastern District of Missouri. See Note 15—"Discontinued Operations" of the Notes to the Consolidated Financial Statements in Item 8 for more information.

Fiscal 2016 Compared to Fiscal 2015

Continuing Operations

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

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

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

Operating expenses increased \$9.3 million or approximately 8% to \$128.5 million, or 18.0% of net sales, in 2016, compared to \$119.2 million, or 18.1% of net sales, in 2015. The increase in operating expenses was primarily due to an increase in personnel costs, which increased \$6.7 million, principally from wage increases, hiring of additional personnel, and expenses attributable to higher variable costs associated with increasing sales. We recorded total stock-based compensation expense of \$1.7 million in 2016 compared to \$1.8 million in 2015. Non-personnel expenses were \$2.1 million higher in 2016 as compared to 2015 primarily due to the acquisition of BenBilt in April 2016.

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

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

of certain state net operating loss carryforwards. See Note 10 — “Income Taxes” of the Notes to Consolidated Financial Statements in Item 8 for more information.

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

Discontinued Operations

We recorded \$3.0 million in after-tax income from discontinued operations in 2016 primarily as a result of payments received from settlement agreements with insurers, as well as with Crane Co., in connection with the declaratory action filed in the United States court for the Eastern District of Missouri. We recorded a loss of \$3.4 million after tax in 2015 due to environmental and related legal expenses. See Note 15— “Discontinued Operations” of the Notes to the Consolidated Financial Statements in Item 8 for more information.

Shareholder Rights Plan

On May 18, 2016, the Company’s Board of Directors issued one preferred share purchase right (a “Right”) for each share of our common stock issued and outstanding as of the close of business on May 31, 2016 and adopted a shareholder rights plan, as set forth in the rights agreement entered into on the same date between the Company and Computershare Trust Company, N.A. (the “Rights Agreement”). The Rights Agreement was approved by the Company’s stockholders at the 2017 annual meeting of stockholders. The Rights Agreement will expire on the earliest of (i) May 18, 2019, (ii) the time at which the Rights are redeemed or exchanged, as provided for in the Rights Agreement, (iii) the repeal of Section 382 of the Internal Revenue Code if the Board determines that the Rights Agreement is no longer necessary for the preservation of the Company’s net operating loss carryforwards (“NOLs”), and (iv) the beginning of a taxable year of the Company to which the Board determines that no NOLs may be carried forward. The Company adopted the Rights Agreement to protect stockholder value by attempting to diminish the risk that the Company’s ability to use its NOLs to reduce potential future federal income tax obligations may become substantially limited.

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

Liquidity and Capital Resources

We depend on cash flow from operations and funds available under our revolving credit facility to finance seasonal working capital needs, capital expenditures, additional investment in our product lines, including Huttig-Grip, and any acquisitions that we may undertake. Typically, our working capital requirements are generally greatest in the second and third quarters, which reflect the seasonal nature of our business. The second and third quarters also tend to be our strongest operating quarters, largely due to more favorable weather throughout many of our markets compared to the first and fourth quarters. We typically generate cash from working capital reductions in the fourth quarter of the year and build working capital during the first quarter in preparation for our second and third quarters. We also maintain significant inventories to meet the rapid delivery requirements of our customers and to enable us to obtain favorable pricing, delivery and service terms with our suppliers. In 2017, our working capital was impacted significantly as we continued to invest in inventory related to our Huttig-Grip product line. Sourcing Huttig-Grip products internationally requires longer lead-times and higher inventory levels to ensure available supply, but it also provides an opportunity for higher margins. At December 31, 2017 and 2016, inventories and accounts receivables constituted approximately 73% and 69% of our total assets, respectively. We also closely monitor operating expenses and inventory levels during seasonally affected periods and, to the extent possible, manage variable operating costs to minimize seasonal effects on our profitability.

Operations—Cash used in operating activities was \$38.1 million in 2017, compared to cash provided by operating activities of \$17.0 million in 2016. In 2017 our net income decreased by \$23.4 million compared to 2016. In 2017 our inventory levels increased by \$30.9 million driven largely by the expansion of our Huttig-Grip product line and we spent approximately \$5.1 million in remediation costs related to the formerly owned property in Montana.

Investing—Net cash used in investing activities was \$6.1 million in 2017, as compared to \$21.4 million in 2016. In 2017 we invested \$6.1 million in property and equipment at various locations. The Company used \$17.3 million for the purchase of substantially all of the assets of BenBilt in the second quarter of 2016. In 2016 we invested \$4.1 million in property and equipment at various locations.

Financing—Cash provided by financing activities of \$44.2 million in 2017 reflected net borrowings of \$46.8 million under our credit facility, repayments of \$1.7 million for other debt obligations and \$0.9 million for the net settlement of withholding taxes on stock-based awards. In 2016 net borrowings included amounts borrowed to fund the purchase of substantially all of the assets of BenBilt. Cash provided by financing activities of \$4.4 million in 2016 reflected net debt payments of \$6.0 million under our credit facility, payments of \$1.2 million for capital lease and other debt obligations, and \$0.4 million for the net settlement of withholding taxes on stock-based awards.

The Company believes that cash generated from its operations and funds available under the credit facility will provide sufficient funds to meet the operating needs of the Company for at least the next twelve months. In 2017 the minimum fixed charge coverage ratio (“FCCR”) was not required to be tested as excess borrowing availability was greater than the minimum threshold. However, if the Company’s availability would have fallen below that threshold, we would not have met the minimum FCCR. If we are unable to maintain excess borrowing availability of more than the applicable amount in the range of \$17.5 million to \$31.3 million and we do not meet the minimum FCCR, the lenders would have the right to terminate the loan commitments and accelerate the repayment of the entire amount outstanding under the credit facility. The lenders could also foreclose on the Company’s assets that secure the credit facility. If the credit facility is terminated, the Company would be forced to seek alternative sources of financing, which may not be available on terms acceptable to it, or at all.

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

Off-Balance Sheet Arrangements

In addition to funds available from operating cash flows and our bank credit facility as described above, we use operating leases, which are considered to be off-balance sheet arrangements. Operating leases are employed as an alternative to purchasing certain property, plant and equipment. Future rental commitments, extending through 2031, under all non-cancelable operating leases in effect at December 31, 2017 totaled \$36.2 million.

Commitments and Contingencies

The table below summarizes our contractual obligations as of December 31, 2017 (in millions):

	Total	Payments Due by Period			
		2018	2019-2020	2021-2022	Beyond 2022
Long-term debt, including current portion (1)	\$ 103.0	\$ 1.2	\$ 1.8	\$ 100.0	\$ —
Operating lease obligations (2)	35.1	10.5	14.9	6.7	3.0
Total	<u>\$ 138.1</u>	<u>\$ 11.7</u>	<u>\$ 16.7</u>	<u>\$ 106.7</u>	<u>\$ 3.0</u>

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

(2) Amounts are net of minimum sublease income of \$1.1 million.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to market risk as it relates to effects of changes in interest rates. We had debt outstanding at December 31, 2017 under our credit facility of \$99.2 million.

All of our debt under our revolving credit facility accrues interest at a floating-rate basis. If market interest rates for LIBOR had been different by an average of 1% for the year ended December 31, 2017, our interest expense

and income before taxes would have changed by \$0.9 million. These amounts are determined by considering the impact of the hypothetical interest rates on our borrowing cost. This analysis does not consider the effects of any change in the overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management may take actions to further mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our financial structure.

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

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Huttig Building Products, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Huttig Building Products, Inc. and subsidiary (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations, shareholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail,

accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ KPMG LLP

We have served as the Company's auditor since 2004.

St. Louis, Missouri
March 7, 2018

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2017	2016	2015
	(In millions, except per share data)		
Net sales	\$ 753.2	\$ 713.9	\$ 659.6
Cost of sales	597.4	562.7	526.3
Gross margin	155.8	151.2	133.3
Operating expenses	155.7	128.5	119.2
Gain on disposal of capital assets	—	—	(0.4)
Operating income	0.1	22.7	14.5
Interest expense, net	3.1	2.2	2.3
(Loss) income from continuing operations before income taxes	(3.0)	20.5	12.2
Provision for (benefit from) income taxes	3.2	7.2	(17.2)
Net (loss) income from continuing operations	(6.2)	13.3	29.4
Net (loss) income from discontinued operations, net of taxes of (\$0.6), \$1.8 and (\$1.9), respectively	(0.9)	3.0	(3.4)
Net (loss) income	<u>\$ (7.1)</u>	<u>\$ 16.3</u>	<u>\$ 26.0</u>
Net (loss) income from continuing operations per share - basic and diluted	\$ (0.25)	\$ 0.52	\$ 1.17
Net (loss) income from discontinued operations per share - basic and diluted	\$ (0.04)	\$ 0.12	\$ (0.14)
Net (loss) income per share - basic and diluted	<u>\$ (0.29)</u>	<u>\$ 0.64</u>	<u>\$ 1.04</u>
Weighted average shares outstanding:			
Basic and diluted shares outstanding	24.9	24.5	24.1

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
	(In millions)	
ASSETS		
Current Assets:		
Cash and equivalents	\$ 0.3	\$ 0.3
Trade accounts receivable, net	66.8	59.3
Inventories, net	111.9	81.0
Other current assets	11.4	9.5
Total current assets	190.4	150.1
Property, Plant and Equipment:		
Land	5.0	5.0
Building and improvements	31.1	29.7
Machinery and equipment	49.8	43.5
Gross property, plant and equipment	85.9	78.2
Less accumulated depreciation	56.4	53.3
Property, plant and equipment, net	29.5	24.9
Other Assets:		
Goodwill	9.5	9.5
Deferred income taxes	9.7	10.3
Other	6.8	7.5
Total other assets	26.0	27.3
Total Assets	\$ 245.9	\$ 202.3

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
	(In millions, except per share amounts)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 1.2	\$ 1.0
Trade accounts payable	51.0	47.2
Accrued compensation	6.3	6.8
Other accrued liabilities	16.6	15.1
Total current liabilities	75.1	70.1
Non-current Liabilities:		
Long-term debt, less current maturities	101.8	54.5
Other non-current liabilities	2.5	7.2
Total non-current liabilities	104.3	61.7
Shareholders' Equity:		
Preferred shares; \$.01 par (5,000,000 shares authorized)	—	—
Common shares; \$.01 par (75,000,000 shares authorized: 25,843,166 shares issued and outstanding at December 31, 2017 and 25,638,862 at December 31, 2016)	0.3	0.3
Additional paid-in capital	44.1	42.8
Retained earnings	22.1	27.4
Total shareholders' equity	66.5	70.5
Total Liabilities and Shareholders' Equity	\$ 245.9	\$ 202.3

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares Outstanding, at Par Value	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
	(In millions)			
Balance at January 1, 2015	\$ 0.2	\$ 40.4	\$ (14.9)	\$ 25.7
Net income	—	—	26.0	26.0
Payment for taxes related to share settlement of equity awards	—	(0.6)	—	(0.6)
Stock compensation expense	—	1.8	—	1.8
Balance at December 31, 2015	<u>0.2</u>	<u>41.6</u>	<u>11.1</u>	<u>52.9</u>
Net income	—	—	16.3	16.3
Payment for taxes related to share settlement of equity awards	—	(0.4)	—	(0.4)
Stock compensation expense	0.1	1.6	—	1.7
Balance at December 31, 2016	<u>0.3</u>	<u>42.8</u>	<u>27.4</u>	<u>70.5</u>
Net loss	—	—	(7.1)	(7.1)
Payment for taxes related to share settlement of equity awards	—	(0.9)	—	(0.9)
Deferred tax adjustment for adoption of ASU-2016-09	—	—	1.8	1.8
Stock compensation expense	—	2.2	—	2.2
Balance at December 31, 2017	<u>\$ 0.3</u>	<u>\$ 44.1</u>	<u>\$ 22.1</u>	<u>\$ 66.5</u>

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(In millions)		
Cash Flows From Operating Activities:			
Net (loss) income	\$ (7.1)	\$ 16.3	\$ 26.0
Adjustments to reconcile net (loss) income to cash provided by (used in) operations:			
Net (income) loss from discontinued operations, net of taxes	0.9	(3.0)	3.4
Depreciation and amortization	4.9	3.9	3.0
Non-cash interest expense	0.3	0.4	0.4
Stock compensation expense	2.2	1.7	1.8
Deferred taxes	2.4	8.8	(19.1)
Gain on disposal of capital assets	—	—	(0.4)
Changes in operating assets and liabilities:			
Trade accounts receivable	(7.5)	(1.5)	(7.8)
Inventories	(30.9)	(14.6)	1.5
Trade accounts payable	3.8	2.7	4.2
Other	(2.5)	(0.7)	3.2
Cash (used in) provided by continuing operating activities	(33.5)	14.0	16.2
Cash (used in) provided by discontinued operating activities	(4.6)	3.0	0.9
Total cash (used in) provided by operating activities	(38.1)	17.0	17.1
Cash Flows From Investing Activities:			
Capital expenditures	(6.1)	(4.1)	(2.8)
Acquisition	—	(17.3)	—
Proceeds from disposition of capital assets	—	—	2.5
Cash used in investing activities	(6.1)	(21.4)	(0.3)
Cash Flows From Financing Activities:			
Payments of revolving credit debt agreement	(146.7)	(198.3)	(183.8)
Borrowings of revolving credit debt agreement	193.5	204.3	169.1
Repayments of other obligations	(1.7)	(1.2)	(1.7)
Payment for taxes related to share settlement of equity awards	(0.9)	(0.4)	(0.6)
Cash provided by (used in) financing activities	44.2	4.4	(17.0)
Net decrease in cash and equivalents	—	—	(0.2)
Cash and equivalents, beginning of year	0.3	0.3	0.5
Cash and equivalents, end of year	<u>\$ 0.3</u>	<u>\$ 0.3</u>	<u>\$ 0.3</u>
Supplemental Disclosure of Cash Flow Information:			
Interest paid	\$ 2.7	\$ 1.9	\$ 1.8
Income taxes paid	0.5	0.4	—
Non-cash financing activities:			
Assets acquired with debt obligations	2.2	2.0	1.4
Debt issuance costs financed	0.3	—	—

See notes to consolidated financial statements

HUTTIG BUILDING PRODUCTS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In Millions, Except Share and Per Share Data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Inventory—Inventories are valued at the lower of cost or market. The Company’s entire inventory is comprised of finished goods. The Company reviews inventories on hand and records a provision for slow-moving and obsolete inventory. The provision for slow-moving and obsolete inventory is based on historical and expected sales. Approximately 87% and 91% of inventories were determined by using last-in, first-out (“LIFO”) method of inventory valuation as of December 31, 2017 and December 31, 2016, respectively. The balance of all other inventories is determined by the average cost method. The first-in, first-out cost would be higher than the LIFO valuation by \$15.1 million at December 31, 2017 and \$13.4 million at December 31, 2016.

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

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

to 10 years. The Company recorded depreciation expense of \$3.7 million, \$3.0 million and \$2.9 million in 2017, 2016 and 2015, respectively.

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

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

Shipping and Handling—Costs associated with shipping and handling products to the Company's customers are charged to operating expense. Shipping and handling costs were \$34.0 million, \$30.2 million and \$28.8 million in 2017, 2016 and 2015, respectively.

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

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

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

Concentration of Credit Risk—The Company grants credit to customers, substantially all of whom are dependent upon the construction sector. The Company periodically evaluates its customers' financial condition but does not generally require collateral. Customers with high credit risk may be required to pay up front. A significant portion of our sales are concentrated with a relatively small number of our customers. Our top ten customers represented 42% of our sales in 2017. The Company had a single customer representing 14% of total sales in 2017, 14% of total sales in 2016 and 13% of total sales in 2015. This customer is a buying group for multiple building material dealers.

Collective Bargaining Agreements—As of December 31, 2017, 12% of our employees were represented by eight collective bargaining agreements with one of the agreements currently in negotiations. With regard to the expiring agreement, 1% of our employees were covered thereunder.

Segments— Segment Reporting, defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. At December 31, 2017 and 2016, under the definition of a segment, each of our distribution centers is considered an operating segment of our business. Operating segments may be aggregated if the operating segments have similar economic characteristics and if the nature of the products, distribution methods, customers and regulatory environments are similar. The Company has aggregated its distribution centers into one reporting segment.

2. GOODWILL AND OTHER INTANGIBLE ASSETS

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

The Company uses a two-step process for impairment testing of goodwill. During the fourth quarter in each of 2017, 2016 and 2015, the Company performed the annual test for impairment of its reporting units and there was no impairment of goodwill. The following table summarizes goodwill activity for the three years in the period ended December 31, 2017 (in millions):

	Goodwill	Accumulated Impairments	Goodwill, Net
Balance at January 1, 2015	\$ 18.1	\$ (11.8)	\$ 6.3
No activity in 2015	—	—	—
Balance at December 31, 2015	18.1	(11.8)	6.3
Addition in 2016	3.2	—	3.2
Balance at December 31, 2016	21.3	(11.8)	9.5
No activity in 2017	—	—	—
Balance at December 31, 2017	<u>\$ 21.3</u>	<u>\$ (11.8)</u>	<u>\$ 9.5</u>

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

	Cost		Accumulated Amortization	
	2017	2016	2017	2016
Customer relationships	\$ 4.9	\$ 4.9	\$ 1.5	\$ 1.1
Trademarks	1.6	1.6	0.5	0.2
Other	1.6	1.6	0.9	0.4
Total amortizable intangible assets (1)	<u>\$ 8.1</u>	<u>\$ 8.1</u>	<u>\$ 2.9</u>	<u>\$ 1.7</u>

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

Customer relationships are amortized over 15 to 16 years. Trademarks are amortized over five years and other intangibles are amortized over three years. The Company recorded amortization expense of \$1.2 million, \$0.9 million and \$0.1 million for the years ended December 31, 2017, 2016, 2015, respectively.

The estimated intangible asset amortization expense, by year and in the aggregate, consisted of the following at December 31, 2017 (in millions):

	Amortization
2018	\$ 1.2
2019	0.8
2020	0.6
2021	0.3
2022	0.2
Thereafter	2.1
Total	\$ 5.2

3. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

	December 31,		
	2017	2016	2015
Balance at beginning of year	\$ 0.7	\$ 0.8	\$ 0.6
Provision charged to expense	0.2	—	0.3
Write-offs, less recoveries	—	(0.1)	(0.1)
Balance at end of year	\$ 0.9	\$ 0.7	\$ 0.8

The Company recorded bad debt expense of less than 0.1% of net sales in each of 2017, 2016 and 2015.

4. DEBT

Debt consisted of the following (in millions):

	December 31,	
	2017	2016
Revolving credit facility	\$ 99.2	\$ 52.2
Other obligations	3.8	3.3
Total debt	103.0	55.5
Less current portion	1.2	1.0
Long-term debt	\$ 101.8	\$ 54.5

Credit Facility— In July 2017, the Company amended and extended its asset-based senior secured revolving credit facility (“credit facility”) with Wells Fargo Capital Finance, Bank of America and JPMorgan Chase. The amendment, among other things, increased the borrowing capacity from \$160 million to \$250 million, reduced the interest rate, reduced the minimum fixed charge coverage ratio and extended the maturity to July 14, 2022. The amended facility may be increased to \$300 million, through an uncommitted \$50 million accordion feature, subject to certain conditions. Borrowing availability under the credit facility is based on eligible accounts receivable, inventory and real estate. The real estate component of the borrowing base amortizes monthly over 12.5 years on a straight-line basis. Borrowings under the credit facility are collateralized by substantially all of the Company’s assets, and the Company is subject to certain operating limitations applicable to a loan of this type, which, among other things, place limitations on indebtedness, liens, investments, mergers and acquisitions, dispositions of assets, cash dividends and transactions with affiliates.

At December 31, 2017, under the credit facility, the Company had revolving credit borrowings of \$99.2 million outstanding at a weighted average interest rate of 3.00% per annum, letters of credit outstanding totaling \$3.6 million, primarily for health and workers’ compensation insurance, and \$51.4 million of additional committed borrowing capacity. The Company pays an unused commitment fee of 0.25% per annum. In addition, the Company had \$3.8 million of capital leases and other obligations outstanding at December 31, 2017.

The sole financial covenant in the credit facility is the minimum fixed charge coverage ratio (“FCCR”) of 1.00:1.00 and must be tested by the Company only if the excess borrowing availability falls below an amount in the range of \$17.5 million to \$31.3 million, depending on our borrowing base. In 2017 the minimum FCCR was not required to be tested as excess borrowing availability was greater than the minimum threshold. However, if the Company’s availability would have fallen below that threshold, we would not have met the minimum FCCR. FCCR must also be tested on a pro forma basis prior to consummation of certain significant business transactions outside our ordinary course of business, as defined in the agreement.

Maturities—At December 31, 2017, the aggregate scheduled maturities of debt were as follows (in millions):

2018	\$	1.2
2019		1.0
2020		0.8
2021		0.6
2022		99.4
Total	\$	<u>103.0</u>

The fair value of long-term debt, as calculated using the aggregate cash flows from principal and interest payments over the life of the debt, was approximately \$99.2 million and \$52.2 million at December 31, 2017 and 2016, respectively, based upon a discounted cash flow analysis using current market interest rates. The fair value measurement inputs for long-term debt are classified as Level 3 (unobservable inputs) in the valuation hierarchy.

5. PREFERRED SHARES

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

6. OTHER ACCRUED LIABILITIES

The Company has other accrued liabilities at December 31, 2017 and December 31, 2016 of \$16.6 million and \$15.1 million, respectively. Liabilities for self-insurance accruals were \$4.1 million and \$3.8 million, amounts due for sales incentive programs were \$5.5 million and \$5.3 million, short term environmental accruals were \$1.1 million and \$0.0 million, and deferred rent was \$0.5 million and \$0.6 million at December 31, 2017 and 2016, respectively.

7. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain of its vehicles, equipment and distribution facilities from various third parties with non-cancelable operating leases with various terms. Certain leases contain renewal. Future minimum payments, by year, and in the aggregate, under these leases with initial terms of one year or more consisted of the following at December 31, 2017 (in millions):

	Non-cancelable Operating Leases	Minimum Sublease Income	Net
2018	\$ 10.9	\$ (0.4)	\$ 10.5
2019	9.2	(0.4)	8.8
2020	6.3	(0.2)	6.1
2021	4.5	(0.1)	4.4
2022	2.3	—	2.3
Thereafter	3.0	—	3.0
Total minimum lease payments	<u>\$ 36.2</u>	<u>\$ (1.1)</u>	<u>\$ 35.1</u>

Operating lease obligations expire in varying amounts through 2031. Rental expense for all operating leases was \$14.8 million, \$13.6 million and \$13.3 million in 2017, 2016 and 2015, respectively. Sublease income was \$0.5 million, \$0.9 million and \$0.9 million in 2017, 2016 and 2015, respectively.

Certain leases also include options to purchase the leased property. Assets recorded under capital leases as of December 31, 2017 and December 31, 2016 were \$6.6 million and \$5.1 million, respectively. These assets are recorded net of accumulated amortization of \$2.3 million and \$1.4 million as of December 31, 2017 and December 31, 2016, respectively.

Legal and Environmental Matters

The Company accrues expenses for contingencies when it is probable that an asset has been impaired or a liability has been incurred and management can reasonably estimate the expense. Contingencies for which the Company has made accruals include environmental and other legal matters. It is possible, however, that actual expenses could exceed our accrual by a material amount which could have a material adverse effect on the Company's future liquidity, financial condition or operating results in the period in which any such additional expenses are incurred or recognized.

Environmental Matters

The Company was previously identified as a potentially responsible party in connection with the cleanup of contamination at a formerly owned property in Montana. On February 18, 2015, the Montana Department of Environmental Quality (the "DEQ") issued an amendment to the unilateral administrative order of the DEQ outlining the final remediation of the property in its Record of Decision (the "ROD"). In September 2015, the remedial action work plan ("RAWP") was approved.

In 2017, the Company paid \$5.1 million implementing the RAWP. After a review of the remaining estimate of costs to complete the remediation, the Company recorded a charge of \$1.5 million in the fourth quarter of 2017, which was reflected in discontinued operations. The Company estimates the total remaining cost of implementing the RAWP to be \$3.5 million at December 31, 2017. The Company believes the accrual represents a reasonable best estimate of the total remaining remediation costs, based on facts, circumstances, and information currently available. However, there are currently unknown variables relating to the actual levels of contaminants and amounts of soil that will ultimately require treatment or removal and as part of the remediation process, additional soil and groundwater sampling, and bench and pilot testing is required to ensure the remediation will achieve the projected outcome required by the DEQ. The ultimate final amount of remediation costs and expenditures are difficult to

estimate with certainty and as a result, the amount of actual costs and expenses ultimately incurred by the Company with respect to this property could be lower than, or exceed the amount accrued as of December 31, 2017 by a material amount. If actual costs are materially higher, the incremental expenses over the amount currently accrued could have a material adverse effect on our liquidity, financial condition and operating results.

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

Legal Matters

The Company is also involved in litigation in Colorado, Illinois, and Texas filed by PrimeSource Building Products, Inc. ("PrimeSource") against the Company and eleven of its employees.

The complaints allege, among other things, that certain former employees of PrimeSource have breached their contracts with PrimeSource (including non-competition, non-interference and non-disclosure covenants) and fiduciary duties to PrimeSource, and that the former employees have misappropriated, and are using, trade secrets of PrimeSource on behalf of the Company. The complaints seek injunctive relief, compensatory damages, and with respect to certain counts, punitive damages.

On July 26, 2017, the Company and certain of the employee defendants filed counterclaims in the Illinois cases alleging, among others things, that PrimeSource has asserted and is maintaining its trade secret misappropriation claims in bad faith, tortiously interfered with the Company's business relationships, and filed sham litigation and engaged in other exclusionary and predatory conduct in violation of Section 2 of the Sherman Act.

On December 9, 2017, the United States District Court of the Northern District of Illinois Eastern Division (the "Court") ruled the evidence at the hearing failed to show a likelihood of success on the majority of PrimeSource's claims against Huttig and the Court denied PrimeSource's request to shut down the Huttig-Grip expansion, but granted partial injunctive relief restricting four Huttig employees from working in activities related to the Huttig-Grip expansion and in part enjoining Huttig from selling products to a list of customers that were not pre-existing customers prior to November, 2016, but allows Huttig to sell all products to a list of customers that were pre-existing customers prior to November, 2016. The injunction is currently under review by the Court and could potentially be changed.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this litigation, and the Company is unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome, the Company believes that PrimeSource's claims lack merit. The Company has retained outside counsel, and is vigorously defending itself against the lawsuits. As of December 31, 2017, the Company incurred approximately \$3.3 million in legal fees related to the PrimeSource litigation.

8. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans—The Company sponsors a qualified defined contribution plan covering substantially all its employees. The plan provides for Company matching contributions based upon a percentage of the employee's voluntary contributions. The Company reinstated the matching contributions in July 2016, which had been suspended since 2009. The Company's matching contribution were \$1.6 million and \$0.6 million for the years ended December 31, 2017 and December 31, 2016, respectively.

Defined Benefit Plans—The Company participates in several multi-employer pension plans that provide benefits to certain employees under collective bargaining agreements. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and (3) if the Company chooses to stop participating in some of its

multi-employer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The Company's total contributions to these plans were \$0.8 million, \$0.8 million, and \$1.0 million in the years ended December 31, 2017, 2016, and 2015, respectively. A majority of the contributions were to the Western Conference of Teamsters Pension Plan. The Company does not contribute more than 5% percent of total contributions for any of these multi-employer pension plans. The Company's participation in the multi-employer pension plans as of December 31, 2017 is outlined in the table below.

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

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

9. STOCK BASED COMPENSATION

2005 Executive Incentive Compensation Plan

Under the 2005 Executive Incentive Compensation Plan (the "2005 Plan"), incentive awards of up to 8,125,000 shares of common stock may be granted. The 2005 Plan allows the Company to grant awards to key employees, including restricted stock awards, stock options, other stock-based incentive awards and cash based incentive awards subject primarily to the requirement of continued employment. Awards under the 2005 Plan are available for grant over a ten-year period unless terminated earlier by the Board of Directors. The Company granted 404,793, 756,492, and 500,468 shares of restricted stock to employees in 2017, 2016, and 2015, respectively. No monetary consideration is paid to the Company by employees who receive restricted stock. The restricted shares vest ratably over three to five years. Restricted stock can be granted with or without performance restrictions.

2005 Non-Employee Directors' Restricted Stock Plan

Under the Company's 2005 Non-Employee Directors' Restricted Stock Plan, which was adopted in 2005 and subsequently amended in 2007, 2009, 2012, and 2015, incentive awards of up to 575,000 shares of common stock may be granted. Awards under this plan are available for grant over a ten-year period expiring March 31, 2025, unless terminated earlier by the Board of Directors. The Company granted 27,696, 53,274, and 90,820 shares of restricted stock in 2017, 2016, and 2015 respectively.

Summary of Stock-Based Compensation

The Company recognized approximately \$2.2 million, \$1.7 million, and \$1.8 million in non-cash stock compensation expense for restricted stock awards in 2017, 2016 and 2015, respectively.

The following summary presents the information regarding the restricted stock and restricted stock units for the three years in the period ended December 31, 2017:

	Shares (000's)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (000's)	Average Remaining Vesting Period (months)	Unrecognized Compensation Expense (000's)
Outstanding at January 1, 2015	1,404	\$ 2.44			
Granted	591	3.24			
Restricted stock vested	(781)	2.03			
Forfeited	(116)	3.45			
Outstanding at December 31, 2015	1,098	3.16			
Granted	810	3.94			
Restricted stock vested	(552)	2.75			
Forfeited	(7)	3.28			
Outstanding at December 31, 2016	1,349	3.64			
Granted	432	6.77			
Restricted stock vested	(482)	3.62			
Forfeited	(109)	3.94			
Outstanding at December 31, 2017	1,190	\$ 4.75	\$ 7,913	14.3	\$ 3,335
Restricted stock units vested at December 31, 2017	134	\$ 2.56	\$ 888	N/A	N/A

10. INCOME TAXES

The provision for income taxes, relating to continuing operations, is composed of the following as of December 31, 2017, 2016, and 2015 (in millions):

	2017	2016	2015
Current:			
U.S. Federal expense (benefit)	\$ (0.1)	\$ 0.1	\$ (0.1)
State and local tax	0.4	0.3	0.1
Total current	0.3	0.4	—
Deferred:			
U.S. Federal tax	3.7	6.9	(16.4)
State and local tax	(0.8)	(0.1)	(0.8)
Total deferred	2.9	6.8	(17.2)
Total income tax expense (benefit)	\$ 3.2	\$ 7.2	\$ (17.2)

A reconciliation of income taxes based on the application of the statutory federal income tax rate to income taxes as set forth in the consolidated statements of operations is as follows for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Federal statutory rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State and local taxes	17.3	2.0	2.0
Nondeductible items	(17.6)	0.8	1.9
Tax Cuts and Jobs Act of 2017	(147.7)	—	—
Prior year true-up items	6.8	—	—
Refundable Tax Credits	3.6	—	—
Other, net	0.1	(0.1)	(0.8)
Change in valuation allowance	(0.1)	(2.4)	(177.9)
Effective income tax rate	(102.6)%	35.3%	(139.8)%

At December 31, 2017, our valuation allowance on deferred tax assets was approximately \$7.1 million compared to \$6.4 million at December 31, 2016. At December 31, 2017 and 2016, the valuation allowance primarily relates to individual state net operating loss carryforwards that are not more likely than not to be realized in future periods. In each reporting period, we assess the available positive and negative evidence to estimate if sufficient future taxable income would be generated to utilize the existing deferred tax assets. Our history of operating losses limits the weight we applied to other subjective evidence such as our projections for future profitability in certain states. Before we change our judgment on the need for a full valuation allowance, a sustained period of operating profitability is required.

In 2017 our net loss required us to maintain and increase the valuation allowance on certain state net operating loss carryforwards. In 2016, our net income improvement and future projections allowed us to release and benefit from \$0.8 million in reduction in valuation allowance on certain state net operating loss carryforward. In 2015, our operations were in a position of three year cumulative profits. We concluded that as a result of (i) our cumulative profits, (ii) achieving full year profitability in 2013 and 2014, (iii) the issuance of the DEQ final record of decision on our formerly owned property in Montana and our subsequent completion of the final RAWP approved by the DEQ, (iv) our 2015 business results, and (v) our projections of continued profitability for 2016 and beyond, that it is more likely than not that a significant portion of our deferred tax assets will be realized. Accordingly, in 2015, we released our valuation allowance on our net deferred tax assets, resulting in a \$22.5 million benefit in our provision for income taxes.

The income tax expense from continuing operations for 2017 was \$3.2 million on a loss before taxes of \$3.0 million. The income tax benefit from discontinued operations for 2017 was \$0.6 million on a net loss before taxes of \$1.5 million. For 2016, income tax expense of \$7.2 million was recorded on income of \$20.5 million. In 2017, the difference between our effective tax rate and the U.S. statutory rate was primarily due to the change in statutory rates on our net deferred tax assets, as discussed below.

At December 31, 2017, the Company had gross deferred tax assets of \$23.0 million and a valuation allowance of \$7.1 million, netting to deferred tax assets of \$15.9 million. The company had deferred tax liabilities of \$6.2 million at December 31, 2017. The Company had \$9.7 million and \$10.3 million net deferred tax assets at December 31, 2017 and 2016, respectively.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act tax reform legislation. This legislation makes significant change in U.S. tax law including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate alternative minimum tax. The legislation reduced the U.S. corporate tax rate from the current rate of 35% to 21%. As a result of the enacted law, the Company was required to revalue deferred tax assets and liability at the enacted rate. This revaluation resulted in \$4.5 million of income tax expense in continuing operations and a corresponding reduction in the deferred tax asset. The other provisions of the Tax Cuts and Jobs Act did not have a material impact on the 2017 financial statements.

Deferred income taxes at December 31, 2017 and 2016 are comprised of the following (in millions):

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Income tax loss carryforwards	\$ 17.7	\$ —	\$ 15.4	\$ —
Other accrued liabilities	1.3	—	3.4	—
Employee benefits related	0.9	—	2.6	—
Property, plant and equipment	-	0.1	1.3	—
Insurance related	1.0	—	0.9	—
Goodwill	0.3	—	0.6	—
Inventories	1.1	—	1.2	—
Accounts receivables	0.2	—	0.2	—
LIFO	—	5.8	—	8.6
Other	0.5	0.3	0.3	0.6
Gross deferred tax assets and liabilities	23.0	6.2	25.9	9.2
Valuation allowance	(7.1)	—	(6.4)	—
Total	\$ 15.9	\$ 6.2	\$ 19.5	\$ 9.2

The Company has both federal and state tax loss carryforwards reflected above. The Company's federal tax loss carryforwards of approximately \$41 million will begin to expire in 2030. The Company has substantially concluded all U.S. federal income tax matters for years through 2009. The state tax loss carryforwards have expiration dates from 2018 to 2036. The Company has no material uncertain tax positions at December 31, 2017.

11. BASIC AND DILUTED NET (LOSS) INCOME PER SHARE

The Company calculates its basic (loss) income per share by dividing net (loss) income allocated to common shares outstanding by the weighted average number of common shares outstanding. Unvested shares of restricted stock participate in dividends on the same basis as common shares. As a result, these share-based awards meet the definition of participating securities and the Company applies the two-class method to compute earnings per share. The two-class method is an earnings allocation formula that treats participating securities as having rights to earnings that would otherwise have been available to common stockholders. In periods in which the Company has net losses, the losses are not allocated to participating securities because the participating security holders are not obligated to share in such losses. The following table presents the number of participating securities and earnings allocated to those securities for the years ended December 31, 2017, 2016 and 2015 (in millions):

	2017	2016	2015
Earnings allocated to participating shareholders	\$ -	\$ 0.5	\$ 1.2
Number of participating securities	1.1	1.0	1.0

The diluted earnings per share calculations include the effect of the assumed exercise using the treasury stock method for both stock options and unvested restricted stock units, except when the effect would be anti-dilutive. The following table presents the number of common shares used in the calculation of net (loss) income per share from continuing operations for the years ended December 31, 2017, 2016 and 2015 (in millions):

	2017	2016	2015
Weighted-average number of common shares-basic	24.9	24.5	24.1
Dilutive potential common shares	—	—	—
Weighted-average number of common shares-dilutive	24.9	24.5	24.1

The calculation of diluted earnings per common share for the year ended December 31, 2015 excludes the impact of anti-dilutive stock options. The Company had no stock options outstanding at December 31, 2017 and 2016.

12. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table provides selected consolidated financial information from continuing operations on a quarterly basis for each quarter of 2017 and 2016. The Company's business is seasonal and particularly sensitive to weather conditions. Interim amounts are therefore subject to significant fluctuations (in millions, except per share data).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2017					
Net sales	\$ 175.7	\$ 198.7	\$ 199.6	\$ 179.2	\$ 753.2
Gross margin	35.5	42.2	41.3	36.8	155.8
Operating expenses	37.0	38.1	38.2	42.4	155.7
Operating (loss) income	(1.5)	4.1	3.1	(5.6)	0.1
Net (loss) income from continuing operations	(0.9)	2.3	1.3	(8.9)	(6.2)
Net (loss) income from discontinued operations	—	(0.1)	0.1	(0.9)	(0.9)
Net income (loss) per share—Diluted					
Net (loss) income from continuing operations	\$ (0.04)	\$ 0.09	\$ 0.05	\$ (0.36)	\$ (0.25)
Net (loss) income from discontinued operations	\$ —	\$ —	\$ —	\$ (0.03)	\$ (0.04)
Net (loss) income	\$ (0.04)	\$ 0.09	\$ 0.05	\$ (0.39)	\$ (0.29)
2016					
Net sales	\$ 158.8	\$ 197.9	\$ 192.8	\$ 164.4	\$ 713.9
Gross margin	32.0	42.2	41.4	35.6	151.2
Operating expenses	28.9	32.2	33.6	33.8	128.5
Operating income	3.1	10.0	7.8	1.8	22.7
Net income from continuing operations	1.5	5.9	4.8	1.1	13.3
Net (loss) income from discontinued operations	(0.1)	4.5	(0.1)	(1.3)	3.0
Net income (loss) per share—Diluted					
Net income from continuing operations	\$ 0.06	\$ 0.23	\$ 0.19	\$ 0.04	\$ 0.52
Net (loss) income from discontinued operations	\$ —	\$ 0.18	\$ —	\$ (0.05)	\$ 0.12
Net income (loss)	\$ 0.06	\$ 0.41	\$ 0.19	\$ (0.01)	\$ 0.64

13. RIGHTS AGREEMENT

On May 18, 2016, the Board of Directors (the “Board”) of the Company entered into a rights agreement (the “Rights Agreement”) with Computershare Trust Company, N.A. and declared a dividend of one preferred share purchase right (a “Right”) for each outstanding share of common stock, \$0.01 par value per share, of the Company. The dividend was payable upon the close of business on May 31, 2016 to the stockholders of record upon the close of business on that date. The Board adopted the Rights Agreement to protect stockholder value by attempting to reduce the risk that the Company's ability to use its net operating losses to reduce potential future federal income tax obligations may become substantially limited. The Rights Agreement was approved by the Company's stockholders at the 2017 annual meeting of stockholders.

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

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

14. ACQUISITION

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

15. DISCONTINUED OPERATIONS

The discontinued operations of the Company had no sales in 2017, 2016 or 2015. In 2017, loss from discontinued operations net of taxes of \$0.9 million was recorded which was primarily related to a \$1.5 million change in estimate associated with the remediation of the formerly owned property in Montana. In 2016, income from discontinued operations of \$3.0 million was recorded which is primarily as a result of payments received from settlement agreements with insurers, as well as with Crane Co., in connection with the declaratory action filed in the United States court for the Eastern District of Missouri. In 2015, loss from discontinued operations of \$3.4 million was recorded which primarily related to changes in estimates associated with the future remediation and monitoring activities at the formerly owned property in Montana.

16. RECENT ACCOUNTING STANDARDS OR UPDATES NOT YET EFFECTIVE

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment. ASU 2017-04 eliminates the two-step process that required identification of potential impairment and a separate measure of the actual impairment. The annual assessment of goodwill impairment will be determined by using the difference between the carrying amount and the fair value of the reporting unit. This guidance will be effective in the first quarter of 2020 on a prospective basis, and early adoption is permitted. We do not expect the standard to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued accounting guidance, "Improvements to Employee Share-Based Payment Accounting", which simplified the income tax consequences, accounting for forfeitures and classification on the Statements of Consolidated Cash Flows. The Company adopted this standard in the first quarter of 2017. The total impact was a \$1.8 million increase to both retained earnings and net deferred tax assets.

In February 2016, the FASB issued accounting guidance, "Leases", which will supersede the existing lease guidance and will require all leases with a term greater than 12 months to be recognized in the statements of financial position and eliminate current real estate-specific lease guidance, while maintaining substantially similar classification criteria for distinguishing between finance leases and operating leases. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. This standard will be adopted on a modified retrospective basis. The Company is required to adopt the standard in the first quarter of 2019. While we continue to evaluate the effect of adopting this guidance on our consolidated financial statements and related disclosures, we expect our operating leases to be subject to the new standard. We expect to recognize right-of-use assets and operating lease liabilities on our consolidated balance sheets upon adoption, which will increase our total assets and liabilities.

In May 2014, the FASB issued accounting guidance, "Revenue from Contracts with Customers" which has been further clarified and amended. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and clarify guidance for multiple-element arrangements. Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented or a modified retrospective approach with the cumulative effect of initially applying the new guidance

recognized at the date of initial application within the Statement of Consolidated Financial Position. In August 2015, the FASB amended the guidance to allow for the deferral of the effective date of this standard. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is finalizing its review of its significant customer contracts and at this time does not believe that the full retrospective adoption of this ASU on January 1, 2018 will have a material financial statement impact.

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

None

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures—The Company, under the supervision and with the participation of our Disclosure Committee and management, including our Chief Executive Officer and interim Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”)). Based upon that evaluation, our Chief Executive Officer and interim Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2017 in all material respects in (a) causing information required to be disclosed by us in reports that we file or submit under the Exchange Act to be recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and (b) causing such information to be accumulated and communicated to our management, including our Chief Executive Officer and interim Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

Management’s Report on Internal Control Over Financial Reporting—The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and interim Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management’s assessment included an evaluation of the design of the Company’s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors. Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

There were no changes in the Company’s internal control over financial reporting during the Company’s fiscal fourth quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B—OTHER INFORMATION

None

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding executive officers and directors of the Company is set forth in the Company's definitive proxy statement for its 2018 Annual Meeting of Stockholders (the "2018 Proxy Statement") under the captions "Executive Officers" and "Election of Directors," respectively, and is incorporated herein by reference. Information regarding Section 16(a) beneficial ownership reporting compliance is set forth in the 2018 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance," and is incorporated herein by reference.

The information regarding the Company's "audit committee financial expert" and identification of the members of the Audit Committee of the Company's Board of Directors is set forth in the 2018 Proxy Statement under the caption "Board Committees" and is incorporated herein by reference.

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

Huttig Building Products, Inc.
Attention: Corporate Secretary
555 Maryville University Dr.
Suite 400
St. Louis, Missouri 63141
(314) 216-2600

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

ITEM 11—EXECUTIVE COMPENSATION

The information required by Item 11 is set forth in the 2018 Proxy Statement under the captions "Board of Directors and Committees of the Board of Directors," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" and is incorporated herein by reference.

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

Except as set forth below, the information required by Item 12 is set forth in the 2018 Proxy Statement under the captions "Beneficial Ownership of Common Stock by Directors and Management" and "Principal Stockholders of the Company," and is incorporated herein by reference.

Equity Compensation Plan Information

The following table presents information, as of December 31, 2017, for equity compensation plans under which the Company's equity securities are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	—	\$ —	2,832,929
Equity compensation plans not approved by security holders	—	N/A	—
Total	—	\$ —	2,832,929

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

The information required by Item 13 is set forth in the 2018 Proxy Statement under the captions "Certain Relationships and Related Transactions" and "Director Independence," and is incorporated herein by reference.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is set forth in the 2018 Proxy Statement under the caption "Principal Accounting Firm Services and Fees," and is incorporated herein by reference.

PART IV

ITEM 15—EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015

Notes to Consolidated Financial Statements

2. Exhibits:

ITEM 16—FORM 10-K SUMMARY

None

Exhibit Index

- 2.1 [Distribution Agreement dated December 6, 1999 between Crane Co. and the Company. \(Incorporated by reference to Exhibit No. 2.1 of Amendment No. 4 to the Company's Registration Statement on Form 10 \(File No. 1-14982\) filed with the Securities and Exchange Commission on December 6, 1999 \(the "Form 10"\).\)](#)
- 3.1 [Restated Certificate of Incorporation of the Company. \(Incorporated by reference to Exhibit 3.1 to the Form 10 filed on September 21, 1999.\)](#)
- 3.2 [Amended and Restated Bylaws of the Company as amended as of September 26, 2007. \(Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 28, 2007.\)](#)
- 3.3 [Certificate of Designations of Series A Junior Participating Preferred Stock of the Company. \(Incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.\)](#)
- 3.4 [Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of Delaware on May 18, 2016. \(Incorporated by reference to Exhibit 3.01 to the Company's Current Report on Form 8-K filed on May 20, 2016.\)](#)
- 4.1 [Rights Agreement, dated as of May 18, 2016, by and between Huttig Building Products, Inc. and Computershare Trust Company, N.A., as Rights Agent. \(Incorporated by reference to Exhibit 4.01 to the Company's Current Report on Form 8-K filed on May 20, 2016.\)](#)
- *10.1 [Form of Indemnification Agreement for Executive Officers and Directors. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 4, 2005.\)](#)
- *10.2 [2005 Executive Incentive Compensation Plan, Fifth Amendment and Restatement Effective April 25, 2017. \(Incorporated by reference to Attachment C to the Definitive Proxy Statement filed on March 17, 2017.\)](#)
- *10.3 [2005 Nonemployee Directors' Restricted Stock Plan, Third Amendment and Restatement Effective March 31, 2015. \(Incorporated by reference to Attachment A to the Definitive Proxy Statement filed on March 20, 2015.\)](#)
- *10.4 [Form of Restricted Stock Agreement under 2005 Executive Incentive Compensation Plan as amended \(Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for quarter ended June 30, 2015.\)](#)
- *10.5 [Form of Restricted Stock Agreement under the 2005 Nonemployee Directors' Restricted Stock Plan, as amended \(Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.\)](#)
- *10.6 [Separation Agreement dated October 18, 2017, by and between Gregory W. Gurley and the Company \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 23, 2017.\)](#)
- *10.7 [Amended and Restated Executive Agreement between the Company and Jon P. Vrabely effective as of March 16, 2016. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 18, 2016.\)](#)
- *10.8 [Form of Change in Control Agreement. \(Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.\)](#)
- *10.9 [Form of Restricted Stock Award Agreement for Jon P. Vrabely. \(Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.\)](#)
- *10.10 [Form of Cash Long Term Incentive Plan Award Agreement for Jon P. Vrabely. \(Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.\)](#)

*10.11	<u>Principal SERP Select Adoption Agreement executed May 18, 2016 by the Company. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).</u>
10.12	<u>Amended and Restated Revolving Credit Agreement dated as of September 3, 2010, among the Company, Huttig, Inc., General Electric Capital Corporation, as agent, co-syndication agent and lender and the other lenders signatory thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 10, 2010).</u>
10.13	<u>First Amendment to Amended and Restated Revolving Credit Agreement dated as of October 31, 2011, by and among the Company, Huttig, Inc., General Electric Capital Corporation and Wells Fargo Capital Finance, LLC. (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).</u>
10.14	<u>Second Amendment to Amended and Restated Credit Agreement dated as of December 21, 2012, by and among the Company, Huttig, Inc., General Electric Capital Corporation and the other lenders signatory thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2012).</u>
10.15	<u>Third Amendment to Amended and Restated Credit Agreement dated as of May 28, 2014, by and among the Company, Huttig, Inc., General Electric Capital Corporation and the other lenders signatory thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 29, 2014).</u>
10.16	<u>Fourth Amendment to Amended and Restated Credit Agreement dated as of March 21, 2016, by and among the Company, Huttig, Inc., Wells Fargo Capital Finance, LLC and the other parties signatory thereto. (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 10-Q filed on May 3, 2016).</u>
10.17	<u>Fifth Amendment to Amended and Restated Credit Agreement dated as of January 27, 2017, by and among the Company, Huttig, Inc., Wells Fargo Capital Finance, LLC and the other parties' signatory thereto. (Incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 10-K filed on March 2, 2017).</u>
10.18	<u>Sixth Amendment to Amended and Restated Credit Agreement dated July 14, 2017, by and among the Company, Huttig, Inc., Wells Fargo Capital Finance, LLC and the other parties signatory thereto (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on July 18, 2017).</u>
*10.19	<u>Split Dollar Insurance Agreement Endorsement Method between the Company and Jon P. Vrabely dated May 18, 2016. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).</u>
*†10.20	<u>Amended and Restated Executive Agreement between the Company and Robert Furio dated March 5, 2018.</u>
*†10.21	<u>Amended and Restated Executive Agreement between the Company and David A. Fishbein dated March 5, 2018.</u>
21.1	<u>Subsidiary</u>
23.1	<u>Consent of KPMG LLP, independent registered public accounting firm</u>
31.1	<u>Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

† Filed herewith.

SIGNATURES

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

HUTTIG BUILDING PRODUCTS, INC.

By: /s/ Jon P. Vrabely
**President, Chief Executive Officer and Interim Chief
Financial Officer (Principal Executive Officer, Principal
Financial Accounting Officer)**

Date: March 7, 2018

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jon P. Vrabely</u> Jon P. Vrabely	President, Chief Executive Officer, Interim Chief Financial Officer and Director (Principal Executive Officer, Principal Financial and Accounting Officer)	March 7, 2018
<u>/s/ Delbert H. Tanner</u> Delbert H. Tanner	Chairman of the Board	March 7, 2018
<u>/s/ Donald L. Glass</u> Donald L. Glass	Director	March 7, 2018
<u>/s/ James F. Hibberd</u> James F. Hibberd	Director	March 7, 2018
<u>/s/ Gina G. Hoagland</u> Gina G. Hoagland	Director	March 7, 2018
<u>/s/ Patrick L. Larmon</u> Patrick L. Larmon	Director	March 7, 2018
<u>/s/ J. Keith Matheney</u> J. Keith Matheney	Director	March 7, 2018

AMENDED AND RESTATED EXECUTIVE AGREEMENT

This Amended and Restated Executive Agreement ("Agreement") is entered into as of the 5th day of March, 2018 by and between Huttig Building Products, Inc., a Delaware corporation, with its principal office located at 555 Maryville University Drive, Suite 400, St. Louis, Missouri 63141 (the "Company"), and Robert Furio ("Executive").

WHEREAS, the Company and Executive entered into an Executive Agreement effective as of November 14, 2016 (the "2016 Agreement") that set for the terms of Executive's employment as the Company's Executive Vice President – Huttig-Grip;

WHEREAS, the Company and Executive wish to amend and restate the 2016 Agreement in accordance with the terms as set forth herein effective as of January 1, 2018 (the "Effective Date");

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the parties hereto agree that the 2016 Agreement is amended and restated in its entirety as follows effective as of the Effective Date:

1. Employment. Effective January 1, 2018 the Company shall employ Executive as its Executive Vice President and Chief Operating Officer (COO), and Executive agrees to be employed by the Company in such capacity, subject to the terms and conditions of this Agreement. In Executive's capacity as COO, he shall render such services as are consistent with such position and shall report directly to the Company's President. It is expected that, subject to standard internal corporate oversight and reporting obligations, Executive's duties and responsibilities will include, but not be limited to, leading and managing the financial and operating performance of the Company's distribution centers. In addition, Executive will participate in all senior management activities as directed by the President, which may include, but not be limited to, (i) periodically attend Board of Directors' and senior management team meetings, (ii) participate in the Company's strategic planning process, (iii) lead the Regional Vice Presidents and General Managers in developing and delivering sales, operational, and financial budgets, and (iv) all other duties and responsibilities commensurate with being a member of the Company's senior management team. The Executive's principal place of employment will be in the Company's principal corporate office, and at the President's discretion, the Executive may be required to relocate to the St. Louis Metropolitan area. In the event of relocation, the Company will provide Executive with a defined, mutually agreed upon relocation reimbursement program. During the Term (as defined below), Executive shall devote all of his working time and efforts to the business and affairs of the Company and its subsidiaries and shall not engage in activities that interfere in any way with such performance.

2. **Term of Employment.** Executive's employment began on November 14, 2016 (the "Commencement Date") and shall continue through November 13, 2021 (the "Original Term"). Beginning on November 14, 2021, the Original Term shall be automatically extended for one additional year as of each annual anniversary of the Commencement Date (each such one-year extension a "Renewal Term") unless either the Company or Executive provides written notice to the other of non-renewal not later than ninety (90) days prior to any such anniversary date. The Original Term and any Renewal Term(s) are collectively referred to herein as the "Term." Notwithstanding the foregoing, the Term shall be extended and this Agreement shall remain in effect during the Protected Period (as defined in Paragraph 4(e)(i) below).

3. **Compensation and Benefits.**

- (a) Base Compensation. Effective January 1, 2018, Executive's base salary shall be \$450,000, payable in accordance with the Company's normal payroll practices. Effective January 1, 2019, Executive's base salary will be increased consistent with increases awarded generally for other senior management. In this Agreement, "Base Salary" shall be as determined in accordance with this Paragraph 3(a).
- (b) Initial Signing Bonus. In accordance with the 2016 Agreement, Executive received 58,480 time vested shares of restricted stock of Huttig Building Products, Inc. ("HBP") under HBP's 2005 Executive Incentive Compensation Plan, as amended (or any successor plan thereto) (the "Incentive Plan"), with a Fair Market Value (as defined in the Incentive Plan) of \$300,000 on November 14, 2016 (the "Initial Signing Bonus"). The shares of restricted stock granted as the Initial Signing Bonus will vest on the fifth anniversary of the Commencement Date. If, prior to such fifth anniversary the Executive is terminated by the Company without Cause, on or after the occurrence of a Change of Control of the Company the Executive terminates his employment for Good Reason, or the Executive dies or the Executive is terminated due to Disability, then the Initial Signing Bonus will become fully vested on the Date of Termination.
- (c) Annual Cash Bonus. Beginning on the Effective Date, for each fiscal year of the Company during the Term, Executive shall have the opportunity to earn an annual lump sum cash incentive award targeted at 87.5% of Executive's then current base salary, subject to Compensation Committee adjustment and approval. Such annual incentive award opportunity shall be determined under the annual incentive award design adopted each year by the Compensation

Committee under the Incentive Plan. Such annual incentive award is referred to herein as the “Annual Bonus.” For calendar year 2017, the Annual Bonus for the Executive will be a minimum of \$350,000.

- (d) Long-Term Incentive Compensation Awards. On an annual basis, Executive will be eligible to receive one or more awards (the “LTI Awards”) granted under the Incentive Plan. Such annual LTI Awards shall have an aggregate targeted value equal to not less than 75% of Executive’s then current Base Salary, may be cash-based or stock-based, may be time-vesting or performance-vesting, and shall be subject to Compensation Committee adjustment and approval.
- (e) Vacation and Other Benefit Plans and Arrangements. Executive shall be entitled to participate in such other vacation and benefit plans and arrangements as may be offered by the Company to similarly situated executive officers of the Company; provided that, nothing contained herein shall or shall be deemed to require the Company to develop or continue to maintain any particular plan or arrangement.
- (f) Automobile. During the Term, the Company shall pay Executive a minimum monthly car allowance of no less than \$1,200. Such automobile allowance will be adjusted from time to time in the same manner as such car allowances are adjusted for senior executives of the Company generally.

4. Termination.

- (a) Termination, In General. This Agreement may terminate prior to the end of the Term specified in Paragraph 2 above for any reason, including upon Executive’s death or Disability (as defined in Paragraph 4(e)(v)). The provisions of this Paragraph 4(a) shall apply prior to the Protected Period Effective Date (defined below), and payments and benefits provided under this Paragraph 4(a) shall be in lieu of any payment or benefit provided under Paragraph 4(b). In the event of a termination for any reason, the Company shall pay to Executive (or his estate, in the event of his death) upon the last date of employment, all amounts of accrued and owing compensation, including Base Salary through the Date of Termination, accrued but unpaid or unused vacation as may be required under applicable law (“accrued vacation”), and any other amounts of compensation or timely submitted reimbursements accrued and owing as of the Date of Termination (the “Accrued Obligations”).

- (i) Termination by the Company Without Cause. If the Company terminates Executive's employment without Cause, or fails to renew Executive's employment at the end of the Original Term or any Renewal Term for reasons that do not constitute Cause, in exchange for a release of all claims Executive may have against the Company, its affiliates, and its or their officers, directors, employees and agents ("Release"), Executive shall receive (i) an amount equal to one times his then current Base Salary ("Severance Payment"), (ii) an amount equal to 12 months of COBRA premiums for medical, dental and vision coverage based on the terms of the Company's group health plan and Executive's coverage under such plan as of the Date of Termination (regardless of any COBRA election actually made by Executive or the actual COBRA coverage period under the Company's group health plan) (the "Benefits Payment"), and (iii) a pro rata Annual Bonus for the year of termination, based on actual performance results for the year (the "Pro Rata Bonus").
- (ii) The Severance Payment shall be paid to Executive in 12 equal monthly installments ("Severance Period") beginning on the first regularly scheduled payroll date occurring on or after the 60th day following the Date of Termination (the "First Payment Date"), and any severance amount that would otherwise have been paid prior to the First Payment Date shall be paid on the First Payment Date, provided that Executive has signed a Release as required by Section 4(a)(i) and such Release has become irrevocable on or before the First Payment Date. The Benefits Payment will be payable in a single cash payment on the First Payment Date. The Pro Rata Bonus shall be payable in a single cash payment no later than March 15 of the calendar year following the calendar year in which the Date of Termination occurs (and after performance results have been determined). Payments made pursuant to this Paragraph 4(a) shall be in lieu of, and non-duplicative of, payments under any other agreement between Executive and the Company. The right to payments contemplated in this Paragraph 4(a) shall cease if Executive breaches any material provision of any agreement between Executive and the Company, including without limitation Paragraph 5 or any other material term of this Agreement. This paragraph shall survive termination of this Agreement.

(iii) Definition of Cause. For purposes of this Agreement, Cause shall constitute either (i) personal dishonesty or breach of fiduciary duty involving personal profit at the expense of the Company; (ii) repeated failure of Executive to perform his duties hereunder which are demonstrably willful and deliberate on his part and which are not remedied in a reasonable period of time after receipt of written notice from the Company; (iii) the commission of a criminal act related to the performance of duties, or the furnishing of proprietary confidential information about the Company to a competitor, or potential competitor, or third party whose interests are adverse to those of the Company; (iv) intoxication by alcohol or drugs during work hours; (v) conviction of a felony; or (vi) any breach of any material Company policy or any material term of this Agreement or any other agreement by and between Executive and the Company or a subsidiary.

(b) Termination During the Protected Period. The provisions of this Paragraph 4(b) shall apply on and after the Protected Period Effective Date (defined below) and shall remain in effect during the Protected Period, and payments and benefits provided under this Paragraph 4(b) shall be in lieu of any payment or benefit provided under Paragraph 4(a). If Executive's employment terminates after the Protected Period Effective Date and during the Protected Period, the following shall apply:

(i) Cause; Other Than for Good Reason. If Executive's employment shall be terminated for Cause during the Protected Period, this Agreement shall terminate without further obligations to Executive other than the obligation to pay to Executive his Base Salary through the Date of Termination plus the amount of any compensation previously deferred by Executive (together with accrued interest thereon, if any). If Executive terminates employment other than for Good Reason, death or Disability during the Protected Period, this Agreement shall terminate without further obligations to Executive, other than those obligations accrued or earned and vested (if applicable) by Executive through the Date of Termination, including for this purpose, all Accrued Obligations. All such payments hereunder shall be paid to Executive in a lump sum in cash within 30 days of the Date of Termination.

- (ii) Death or Disability. If Executive's employment is terminated by reason of Executive's death or Disability during the Protected Period, Executive or his beneficiary or estate (as the case may be) shall be paid (A) Executive's full annual Base Salary through the Date of Termination at the rate in effect on the Date of Termination or, if higher, at the highest annual rate in effect at any time from the 90-day period preceding the Protected Period Effective Date through the Date of Termination (the "Highest Base Salary"), (B) the product of the Annual Bonus paid to Executive for the last full fiscal year and a fraction, the numerator of which is the number of days in the then current fiscal year through the Date of Termination, and the denominator of which is 365 and (C) any compensation previously deferred by Executive (together with accrued interest thereon, if any) and not yet paid by the Company and any accrued vacation pay not yet paid by the Company (such amounts specified in clauses (A), (B) and (C) are hereinafter referred to as "Protected Period Accrued Obligations").
- (1) All such Protected Period Accrued Obligations shall be paid to Executive or his estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination.
- (2) Anything in this Agreement to the contrary notwithstanding, Executive or his estate or beneficiary, as applicable, shall be entitled to receive death or disability benefits at least equal to the most favorable benefits provided by the Company and any of its subsidiaries to surviving families of employees (in the case of death) of the Company and such subsidiaries, or, in the case of Disability, to disabled employees and/or their families, under such plans, programs, practices and policies relating to disability or family death benefits, if any, in accordance with the most favorable plans, programs, practices and policies of the Company and its subsidiaries in effect at any time during the 90-day period immediately preceding the Protected Period Effective Date or, if more favorable to Executive and/or Executive's family, as in effect on the date of Executive's death or Disability with respect to other key employees of the Company and its subsidiaries and their families.

- (iii) Without Cause or for Good Reason. If Executive terminates his employment for Good Reason or his employment is terminated by the Company without Cause during the Protected Period, Executive shall receive:
- (1) To the extent not theretofore paid, Executive's Highest Base Salary through the Date of Termination; and
 - (2) The product of (x) the greater of the Annual Bonus paid or payable (annualized for any fiscal year consisting of less than twelve full months or for which Executive has been employed for less than twelve full months) to Executive for the most recently completed fiscal year during the Term, if any, or the Average Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365;
 - (3) The product of (x) two and (y) the sum of (i) the Highest Base Salary and (ii) the Average Annual Bonus; and
 - (4) In the case of compensation previously deferred by Executive, all amounts previously deferred (together with accrued interest thereon, if any) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company; and
 - (5) In addition, Executive shall be paid an amount equal to two years of COBRA premiums based on the terms of Company's group health plan and Executive's coverage under such plan as of the Date of Termination (regardless of any COBRA election actually made by Executive or the actual COBRA coverage period under Company's group health plan).
 - (6) All such payments under this Paragraph 4(b)(iii) shall be paid to Executive in a lump sum in cash within 30 days of the Date of Termination, provided that Executive has signed a Release and such Release has become irrevocable on or before the payment date.
 - (7) For purposes of this Agreement, the "Average Annual Bonus" shall be the average of the Annual Bonus paid or payable to Executive by the Company and its affiliated companies in respect of the two

fiscal years immediately preceding the fiscal year in which termination occurs.

- (c) Notwithstanding any other provision to the contrary, with respect to the timing of payments under Paragraph 4(a) or 4(b), if, at the time of Executive's termination, Executive is deemed to be a "specified employee" (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any successor statute, regulation and guidance thereto) of the Company, then only to the extent necessary to comply with the requirements of Code Section 409A, any payments to which Executive may become entitled under Paragraph 4(b) which are subject to Code Section 409A (and not otherwise exempt from its application) will be withheld until the first business day of the seventh month following the termination of Executive's employment, at which time Executive shall be paid an aggregate amount of payments otherwise due to the Executive under the terms of Paragraph 4(a) or 4(b) for the preceding 6-month period, as applicable.
- (d) **Inventory Liquidation.** In the event the Executive leaves the Company (for any reason, with or without Cause or for Good Reason) prior to a Change of Control and within 36 months after the Commencement Date, then the Company will have the option to require the Executive to extend his employment at his then current annual base salary for a period of up to three months or until such time prior to three months that the Executive liquidates and sells the inventory purchased in connection with the Huttig-Grip product line expansion at or above landed cost (the "Final Separation Date"), and Company will defer payment of any severance or payout hereunder until the Final Separation Date.
- (e) **Definitions.**
 - (i) **Protected Period, Protected Period Effective Date.** The "Protected Period" shall begin on the closing date of a transaction constituting a Change of Control (defined below) (the "Protected Period Effective Date") and ending upon the first to occur of the date that is 36 months from the Protected Period Effective Date and the first day of the month next following Executive's normal retirement date ("Normal Retirement Date") under the Huttig Building Products, Inc. Savings & Investment Plan, or any successor retirement plan (the "Retirement Plan"); provided that, if Executive's employment with the Company is terminated prior to the date on which a Change of Control occurs, and it is reasonably demonstrated that such termination (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise

arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement, and specifically without limitation, the “Protected Period Effective Date” shall mean the date immediately prior to the date of Executive’s termination.

- (ii) Cause. Cause during the Protected Period shall have the same meaning as set forth in Paragraph 4(a)(iii) above.
- (iii) Good Reason. “Good Reason” means Executive’s good faith determination that any of the following has occurred:
 - (1) Executive’s Base Salary is less than twelve times the highest monthly base salary paid or payable to him by the Company during the twelve-month period immediately preceding the month in which the Protected Period Effective Date occurs;
 - (2) Executive is not eligible to receive, an Annual Bonus in cash on the same basis as in the fiscal year immediately preceding the fiscal year in which the Protected Period Effective Date occurs;
 - (3) The Company fails to offer to Executive (and his eligible spouse and dependents, as applicable) incentive, savings and retirement plans, practices, policies and programs as may be applicable to other key employees of the Company and its subsidiaries and welfare benefit plans and policies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs), which shall provide Executive (and his eligible spouse and dependents) with compensation, benefits and reward opportunities, and welfare benefits, as applicable, at least as favorable in the aggregate as the most favorable of such compensation, benefits and reward opportunities and welfare benefits as provided by the Company for Executive (and his spouse and dependents, as applicable) under such plans, practices, policies and programs as in effect at any time during the 90-day period immediately preceding the Protected Period Effective Date or, if more favorable to Executive, as provided at any time thereafter with respect to other key employees of the Company and its subsidiaries;
 - (4) The Company does not provide (A) prompt reimbursement for reasonable expenses, (B) paid

vacation, (C) fringe benefits, including an automobile allowance and payment of travel expenses, or (D) provide an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance, at least equal in all cases to the most favorable of the foregoing provided under any policies or practices, or provided to Executive by the Company and its subsidiaries at any time during the 90-day period immediately preceding the Protected Period Effective Date or, if more favorable to Executive, as provided at any time thereafter with respect to other key employees of the Company and its subsidiaries;

- (5) The assignment of Executive of any duties inconsistent in any respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as they were constituted at any time during the 90-day period immediately preceding the Protected Period Effective Date, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities;
- (6) The Company requires Executive to perform his services at a location other than where he was employed immediately preceding the Protected Period Effective Date or any office or location more than thirty-five (35) miles from such location, except for travel reasonably required in the performance of Executive's responsibilities;
- (7) Any purported termination by the Company of Executive's employment otherwise than as expressly permitted by this Agreement; or
- (8) Any failure by the Company to comply with and satisfy Paragraph 10 of this Agreement.

Notwithstanding the foregoing, for purposes of items (1) — (5) above there shall be excluded from the definition of "Good Reason" any isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by Executive.

- (iv) Change of Control. "Change of Control" of the Company means, and shall be deemed to have occurred upon, the first to occur of any of the following events: (a) the first purchase

of shares pursuant to a tender offer or exchange offer (other than a tender offer or exchange offer by the Company) for all or part of the shares of the common stock of the Company (“Shares”) or any securities convertible into such Shares, (b) the receipt by the Company of a Schedule 13D or other notice indicating that a person is the “beneficial owner” (as that term is defined in Rule 13d-3 under the Exchange Act) of 20% or more of the Shares calculated as provided in paragraph (d) of said Rule 13d-3, (c) the date of consummation of any merger, reorganization, consolidation, share exchange, transfer of assets or other transaction having similar effect involving the Company (“Business Transaction”) in which the Company will not be the continuing or surviving corporation or pursuant to which Shares would be converted into cash, securities or other property, other than a Business Transaction in which the holders of the Shares immediately prior to the Business Transaction would own more than 50% of the common stock of the surviving corporation immediately after the Business Transaction, (d) the date of consummation of any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, (e) the adoption of any plan or proposal for the liquidation (but not a partial liquidation) or dissolution of the Company, or (f) the date upon which the individuals who constitute the Board of Directors of the Company (the “Board”) as of the Restatement Effective Date as defined in the Incentive Plan (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to such date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company) shall, for purposes hereof, be considered as though such person were a member of the Incumbent Board.

For purposes of this Agreement, in all respects, the definition of “Change of Control” hereunder shall be interpreted, and limited to the extent necessary, to comply with

Code Section 409A, and the provisions of Treasury Notice 2005-1, Proposed Treasury Regulation Section 1.409A and any successor statute, regulation and guidance thereto.

- (v) Disability. “Disability” means
 - (1) Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.
 - (2) Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company.
- (vi) Date of Termination. “Date of Termination” means the date of receipt of the Notice of Termination (as defined in Paragraph 4(g) below) or any later date specified therein, as the case may be; provided, however, that (i) if Executive’s employment is terminated by the Company other than for Cause or Disability or death, the Date of Termination shall be the date on which the Company notifies Executive of such termination and (ii) if Executive’s employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the date the Disability is determined, as the case may be.
- (f) Certain Limitations on Payments by the Company. Notwithstanding any other provision of this Agreement to the contrary, if tax counsel selected by the Company and reasonably acceptable to Executive determines that any portion of any payment under this Agreement would constitute an “excess parachute payment” under Section 280G of the Code, then the payments to be made to Executive under this Agreement shall be reduced (but not below zero) such that the value of the aggregate payments that Executive is entitled to receive under this Agreement and any other agreement or plan or program of the Company shall be one dollar (\$1) less than the maximum amount of payments which Executive may receive without becoming subject to the tax imposed by Section 4999 of the Code.
- (g) Notice of Termination. Any termination by the Company for Cause or by Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Paragraph 8 of this Agreement. If Executive terminates this

Agreement for any reason or the Company terminates this Agreement without Cause, he or it shall provide to the other not less than thirty (30) days prior written notice. The Company shall not be required to provide any advance notice in the event of a termination for Cause, except as may be specifically provided herein as a result of a “cure” provision, nor shall the thirty (30) day notice requirement apply to either party for a termination as a result of non-renewal of employment at the end of the Original Term or any Renewal Term. For purposes of this Agreement, a “Notice of Termination” means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than sixty (60) days after the giving of such notice). The failure by Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder.

5. Executive Covenants.

- (a) Confidential Information. Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliates and/or subsidiaries, and their respective businesses, which shall have been obtained by Executive during Executive’s employment by the Company or any of its affiliates and/or subsidiaries and which shall not be or become public knowledge (other than by acts by Executive or his representatives in violation of this Agreement). After termination of Executive’s employment with the Company, Executive shall not, without the prior written consent of the Company, use or communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this subparagraph (a) constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.
- (b) Covenant Not to Compete. At all times during Executive’s employment by the Company or any of its affiliates and/or subsidiaries and for one year following termination of Executive’s employment, Executive shall not, unless acting with the prior

written consent of the Company, directly or indirectly (i) own, manage, operate, finance, join, control or participate in the ownership, management, operation, financing or control of, or be associated as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with, or use or permit his name to be used in connection with, any profit or not-for-profit business or enterprise which at any time during such period designs, manufactures, assembles, sells, distributes or provides products (or related services) in competition with those designed, manufactured, assembled, sold, distributed, or provided, or under active development, by the Company or any affiliates or subsidiaries of the Company, including without limitation all future developments in and improvements on such products and services, in any part of the world; (ii) offer or provide employment to, interfere with or attempt to entice away from the Company, its subsidiaries and/or affiliates, either on a full-time or part-time or consulting basis, any person who then currently is, or who within one year prior thereto had been, employed by the Company, its subsidiaries and/or affiliates; (iii) directly or indirectly, solicit the business of, or do business with, any customer, supplier, or prospective customer or supplier of the Company, its subsidiaries and/or affiliates, with whom Executive had direct or indirect contact or about whom Executive may have acquired any knowledge while employed by the Company; or (iv) take any action which is intended, or would reasonably be expected, to harm the Company, its subsidiaries and/or affiliates, or their reputation or which would reasonably be expected to lead to unwanted or unfavorable publicity to the Company; provided, however, that this provision shall not be construed to prohibit the ownership by Executive of not more than 2% of any class of securities of any corporation which is engaged in any of the foregoing businesses that has a class of securities registered pursuant to the Securities Exchange Act of 1934. If Executive's spouse engages in any of the restricted activities set forth in the preceding sentence, Executive shall be deemed to have indirectly engaged in such activities in violation of this covenant. This provision shall be extended at the option of the Company, for a period of time equal to all periods during which Executive is in violation of the foregoing covenant not to compete and to extend the covenant not to compete to run from the date any injunction may be issued against Executive, should that occur, to enable the Company to receive the full benefit of the covenant not to compete agreed to herein by Executive.

- (c) Rights and Remedies Upon Breach. It is recognized that the services to be rendered under this Agreement by Executive are special,

unique and of extraordinary character. If Executive breaches, or threatens to commit a breach of, any of the provisions of Paragraph 5(a) or 5(b) (the “Covenants”), then the Company and/or any of its affiliates or subsidiaries shall have the following rights and remedies, each of which shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity:

- (d) **Specific Performance.** The right and remedy to have the Covenants specifically enforced by any court having equity jurisdiction, including obtaining an injunction to prevent any continuing violation thereof, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will be difficult to ascertain and will not provide adequate remedy to the Company.
- (e) **Severability of Covenants.** If any of the Covenants, or any part thereof, are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the Covenants or the enforceability thereof in any other jurisdiction, which shall be given full effect, without regard to the invalidity or unenforceability in such other jurisdiction.
- (f) **Blue-Pencilling.** If any of the Covenants, or any part thereof, are held to be unenforceable because of the duration of such provision or the geographical scope covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration or geographical scope of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced; provided, however, that the determination of such court shall not affect the enforceability of the Covenants in any other jurisdiction.
- (g) **Assignability.** Executive specifically acknowledges and agrees that in the event the Company should undergo any change in ownership or change in structure or control, or should the Company transfer some or all of its assets to another entity, the Covenants contained herein and the right to enforce the Covenants may be assigned by the Company to any company, business, partnership, individual or entity, and that Executive will continue to remain bound by the Covenants.
- (h) **Survival.** This Paragraph 5 shall survive termination of this Agreement along with the other provisions of the Agreement which by their terms or nature should survive the termination of this Agreement.

6. **Non-exclusivity of Rights.** Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices, provided by the Company or any of its subsidiaries and for which Executive may qualify, nor shall anything herein limit or otherwise affect such rights as Executive may have under any stock option, restricted stock, stock appreciation right, or other agreements with the Company or any of its affiliates or subsidiaries. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of the Company or any of its subsidiaries at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program provided, however, that in the event the terms of any such plan, policy, practice or program concerning the payment of benefits thereunder shall conflict with any provision of this Agreement, the terms of this Agreement shall take precedence but only if and to the extent the payment would not adversely affect the tax exempt status (if applicable) of any such plan, policy, practice or program and only if the employee agrees in writing that such payment shall be in lieu of any corresponding payment from such plan, policy, practice or program.

7. **Full Settlement.** The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or others of the validity or enforceability of, or liability under, any provision of Paragraph 4(b) of this Agreement or any guarantee of performance thereof, plus in each case interest at the applicable Federal rate provided for in Code Section 7872(f)(2).

8. **Notices.** Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered personally, (ii) on the date of delivery if delivered by facsimile or email (with confirmation of transmission) if sent during the normal business hours of the recipient, and on the next business day of recipient if sent after normal business hours of recipient, (iii) on the first business day following the date of dispatch if delivered by Federal Express or other next-day courier service, or (iv) on the third business day following the date of receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

(a) If to the Company:

Huttig Building Products, Inc.
555 Maryville University Drive, Suite 400
St. Louis, Missouri 63141
Attention: General Counsel

Email: rkujawa@huttig.com

(b) If to Executive:

Robert Furio
at the address on file with the Company

Email: _____

9. Waiver of Breach. The waiver of either the Company or Executive of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either the Company or Executive.

10. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of both the Company and Executive and their respective successors, assigns, heirs and legal representatives, but neither this Agreement nor any rights hereunder shall be assigned by either the Company or Executive without the consent in writing of the other party. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Governing Law and Venue. This Agreement shall be governed by and constructed in accordance with the laws of the State of Missouri. However, in the event of any legal or equitable action arising under this Agreement, the venue of such action shall not lie exclusively within Missouri but may lie in any court having proper jurisdiction over such matter.

12. Enforcement Costs. Except as specifically provided herein, if any party hereto institutes any action or proceeding to enforce this Agreement the prevailing party in such action or proceeding shall be entitled to recover from the nonprevailing party all legal costs and expenses incurred by the prevailing party in such action, including, but not limited to, reasonable attorney fees, paralegal fees, law clerk fees, and other legal costs and

expenses, whether incurred at or before trial, and whether incurred at the trial level or in any appellate, bankruptcy, or other legal proceeding.

13. Amendment; Integration. No change or modification of this Agreement shall be valid unless the same is in writing and signed by the person or party to be charged. The Company and Executive agree that they will negotiate in good faith and jointly execute an amendment to modify this Agreement to the extent necessary to comply with the requirements of Code Section 409A, or any successor statute, regulation and guidance thereto; provided, however, under no circumstances shall the Company be obligated to increase its financial obligations to Executive in connection with any such amendment. Effective as of the Effective Date, this Agreement shall supersede any and all other agreements, either oral or written, between the parties hereto with respect to the subject matter hereof, except this Agreement shall not supersede terms of prior written agreements that survive the termination of such agreements, nor shall this Agreement supersede the Indemnification Agreement by and between Executive and the Company described in Section 16 below.

14. Severability. If any portion of this Agreement shall be, for any reason, invalid or unenforceable, the remaining portion or portions shall nevertheless be valid, enforceable and carried into effect, unless to do so would clearly violate the present legal and valid intention of the parties hereto.

15. Tax Consequences. Executive hereby acknowledges and agrees that the Company makes no representations or warranties regarding the tax treatment or tax consequences of any compensation, benefits or other payments under this Agreement, including, without limitation, by operation of Code Section 409A, or any successor statute, regulation and guidance thereto.

16. Indemnification. The Company and Executive have previously executed an Indemnification Agreement dated November 14, 2016.

17. Headings. The headings of this Agreement are inserted for convenience only and are not to be considered in construction of the provisions hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officers, and Executive has hereunto set his hand, as of the day and year first above written.

HUTTIG BUILDING PRODUCTS, INC.

By: /s/ Jon P. Vrabely

Name: Jon P. Vrabely

Title: President

EXECUTIVE:

/s/ Robert Furio

Robert Furio

AMENDED AND RESTATED EXECUTIVE AGREEMENT

This Amended and Restated Executive Agreement (“Agreement”) is entered into as of the 5th day of March, 2018 by and between Huttig Building Products, Inc., a Delaware corporation, with its principal office located at 555 Maryville University Drive, Suite 400, St. Louis, Missouri 63141 (the “Company”), and David Fishbein (“Executive”).

WHEREAS, the Company and Executive entered into an Executive Agreement effective as of November 14, 2016 (the “2016 Agreement”) that set for the terms of Executive’s employment as the Company’s Executive Vice President – Huttig-Grip;

WHEREAS, the Company and Executive wish to amend and restate the 2016 Agreement in accordance with the terms as set forth herein effective as of January 1, 2018 (the “Effective Date”);

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the parties hereto agree that the 2016 Agreement is amended and restated in its entirety as follows effective as of the Effective Date:

1. Employment. Effective January 1, 2018 the Company shall employ Executive as its Executive Vice President and Chief Marketing Officer (“CMO”), and Executive agrees to be employed by the Company in such capacity, subject to the terms and conditions of this Agreement. In Executive’s capacity as CMO, he shall render such services as are consistent with such position and shall report directly to the Company’s President. It is expected that, subject to standard internal corporate oversight and reporting obligations, Executive’s duties and responsibilities will include, but not be limited to, leading and managing the Company’s Marketing, National Accounts, and Product Management functions. In addition, Executive will participate in all senior management activities as directed by the President, which may include, but not be limited to, (i) periodically attend Board of Directors’ and senior management team meetings, (ii) participate in the Company’s strategic planning process, (iii) lead the Marketing, National Accounts, and Product Management functions, develop sales and profitability growth plans and budgets, and deliver financial results, operational, and financial budgets, and (iv) all other duties and responsibilities commensurate with being a member of the Company’s senior management team. The Executive’s principal place of employment will be in the Chicago Metropolitan area, but Executive will be required to travel to the Company’s headquarters as required by the President. During the Term (as defined below), Executive shall devote all of his working time and efforts to the business and affairs of the Company and its subsidiaries and shall not engage in activities that interfere in any way with such performance.

2. **Term of Employment.** Executive's employment began on November 14, 2016 (the "Commencement Date") and shall continue through November 13, 2021 (the "Original Term"). Beginning on November 14, 2021, the Original Term shall be automatically extended for one additional year as of each annual anniversary of the Commencement Date (each such one-year extension a "Renewal Term") unless either the Company or Executive provides written notice to the other of non-renewal not later than ninety (90) days prior to any such anniversary date. The Original Term and any Renewal Term(s) are collectively referred to herein as the "Term." Notwithstanding the foregoing, the Term shall be extended and this Agreement shall remain in effect during the Protected Period (as defined in Paragraph 4(e)(i) below).

3. **Compensation and Benefits.**

- (a) Base Compensation. Effective January 1, 2018, Executive's base salary shall be \$450,000, payable in accordance with the Company's normal payroll practices. Effective January 1, 2019, Executive's base salary will be increased consistent with increases awarded generally for other senior management. In this Agreement, "Base Salary" shall be as determined in accordance with this Paragraph 3(a).
- (b) Initial Signing Bonus. In accordance with the 2016 Agreement, Executive received 58,480 time vested shares of restricted stock of Huttig Building Products, Inc. ("HBP") under HBP's 2005 Executive Incentive Compensation Plan, as amended (or any successor plan thereto) (the "Incentive Plan"), with a Fair Market Value (as defined in the Incentive Plan) of \$300,000 on November 14, 2016 (the "Initial Signing Bonus"). The shares of restricted stock granted as the Initial Signing Bonus will vest on the fifth anniversary of the Commencement Date. If, prior to such fifth anniversary the Executive is terminated by the Company without Cause, on or after the occurrence of a Change of Control of the Company the Executive terminates his employment for Good Reason, or the Executive dies or the Executive is terminated due to Disability, then the Initial Signing Bonus will become fully vested on the Date of Termination.
- (c) Annual Cash Bonus. Beginning on the Effective Date, for each fiscal year of the Company during the Term, Executive shall have the opportunity to earn an annual lump sum cash incentive award targeted at 87.5% of Executive's then current base salary, subject to Compensation Committee adjustment and approval. Such annual incentive award opportunity shall be determined under the annual incentive award design adopted each year by the Compensation

Committee under the Incentive Plan. Such annual incentive award is referred to herein as the “Annual Bonus.” For calendar year 2017, the Annual Bonus for the Executive will be a minimum of \$350,000.

- (d) Long-Term Incentive Compensation Awards. On an annual basis, Executive will be eligible to receive one or more awards (the “LTI Awards”) granted under the Incentive Plan. Such annual LTI Awards shall have an aggregate targeted value equal to not less than 75% of Executive’s then current Base Salary, may be cash-based or stock-based, may be time-vesting or performance-vesting, and shall be subject to Compensation Committee adjustment and approval.
- (e) Vacation and Other Benefit Plans and Arrangements. Executive shall be entitled to participate in such other vacation and benefit plans and arrangements as may be offered by the Company to similarly situated executive officers of the Company; provided that, nothing contained herein shall or shall be deemed to require the Company to develop or continue to maintain any particular plan or arrangement.
- (f) Automobile. During the Term, the Company shall pay Executive a minimum monthly car allowance of no less than \$1,200. Such automobile allowance will be adjusted from time to time in the same manner as such car allowances are adjusted for senior executives of the Company generally.

4. Termination.

- (a) Termination, In General. This Agreement may terminate prior to the end of the Term specified in Paragraph 2 above for any reason, including upon Executive’s death or Disability (as defined in Paragraph 4(e)(v)). The provisions of this Paragraph 4(a) shall apply prior to the Protected Period Effective Date (defined below), and payments and benefits provided under this Paragraph 4(a) shall be in lieu of any payment or benefit provided under Paragraph 4(b). In the event of a termination for any reason, the Company shall pay to Executive (or his estate, in the event of his death) upon the last date of employment, all amounts of accrued and owing compensation, including Base Salary through the Date of Termination, accrued but unpaid or unused vacation as may be required under applicable law (“accrued vacation”), and any other amounts of compensation or timely submitted reimbursements accrued and owing as of the Date of Termination (the “Accrued Obligations”).

- (i) Termination by the Company Without Cause. If the Company terminates Executive's employment without Cause, or fails to renew Executive's employment at the end of the Original Term or any Renewal Term for reasons that do not constitute Cause, in exchange for a release of all claims Executive may have against the Company, its affiliates, and its or their officers, directors, employees and agents ("Release"), Executive shall receive (i) an amount equal to one times his then current Base Salary ("Severance Payment"), (ii) an amount equal to 12 months of COBRA premiums for medical, dental and vision coverage based on the terms of the Company's group health plan and Executive's coverage under such plan as of the Date of Termination (regardless of any COBRA election actually made by Executive or the actual COBRA coverage period under the Company's group health plan) (the "Benefits Payment"), and (iii) a pro rata Annual Bonus for the year of termination, based on actual performance results for the year (the "Pro Rata Bonus").
- (ii) The Severance Payment shall be paid to Executive in 12 equal monthly installments ("Severance Period") beginning on the first regularly scheduled payroll date occurring on or after the 60th day following the Date of Termination (the "First Payment Date"), and any severance amount that would otherwise have been paid prior to the First Payment Date shall be paid on the First Payment Date, provided that Executive has signed a Release as required by Section 4(a)(i) and such Release has become irrevocable on or before the First Payment Date. The Benefits Payment will be payable in a single cash payment on the First Payment Date. The Pro Rata Bonus shall be payable in a single cash payment no later than March 15 of the calendar year following the calendar year in which the Date of Termination occurs (and after performance results have been determined). Payments made pursuant to this Paragraph 4(a) shall be in lieu of, and non-duplicative of, payments under any other agreement between Executive and the Company. The right to payments contemplated in this Paragraph 4(a) shall cease if Executive breaches any material provision of any agreement between Executive and the Company, including without limitation Paragraph 5 or any other material term of this Agreement. This paragraph shall survive termination of this Agreement.

(iii) Definition of Cause. For purposes of this Agreement, Cause shall constitute either (i) personal dishonesty or breach of fiduciary duty involving personal profit at the expense of the Company; (ii) repeated failure of Executive to perform his duties hereunder which are demonstrably willful and deliberate on his part and which are not remedied in a reasonable period of time after receipt of written notice from the Company; (iii) the commission of a criminal act related to the performance of duties, or the furnishing of proprietary confidential information about the Company to a competitor, or potential competitor, or third party whose interests are adverse to those of the Company; (iv) intoxication by alcohol or drugs during work hours; (v) conviction of a felony; or (vi) any breach of any material Company policy or any material term of this Agreement or any other agreement by and between Executive and the Company or a subsidiary.

(b) Termination During the Protected Period. The provisions of this Paragraph 4(b) shall apply on and after the Protected Period Effective Date (defined below) and shall remain in effect during the Protected Period, and payments and benefits provided under this Paragraph 4(b) shall be in lieu of any payment or benefit provided under Paragraph 4(a). If Executive's employment terminates after the Protected Period Effective Date and during the Protected Period, the following shall apply:

(i) Cause; Other Than for Good Reason. If Executive's employment shall be terminated for Cause during the Protected Period, this Agreement shall terminate without further obligations to Executive other than the obligation to pay to Executive his Base Salary through the Date of Termination plus the amount of any compensation previously deferred by Executive (together with accrued interest thereon, if any). If Executive terminates employment other than for Good Reason, death or Disability during the Protected Period, this Agreement shall terminate without further obligations to Executive, other than those obligations accrued or earned and vested (if applicable) by Executive through the Date of Termination, including for this purpose, all Accrued Obligations. All such payments hereunder shall be paid to Executive in a lump sum in cash within 30 days of the Date of Termination.

- (ii) Death or Disability. If Executive's employment is terminated by reason of Executive's death or Disability during the Protected Period, Executive or his beneficiary or estate (as the case may be) shall be paid (A) Executive's full annual Base Salary through the Date of Termination at the rate in effect on the Date of Termination or, if higher, at the highest annual rate in effect at any time from the 90-day period preceding the Protected Period Effective Date through the Date of Termination (the "Highest Base Salary"), (B) the product of the Annual Bonus paid to Executive for the last full fiscal year and a fraction, the numerator of which is the number of days in the then current fiscal year through the Date of Termination, and the denominator of which is 365 and (C) any compensation previously deferred by Executive (together with accrued interest thereon, if any) and not yet paid by the Company and any accrued vacation pay not yet paid by the Company (such amounts specified in clauses (A), (B) and (C) are hereinafter referred to as "Protected Period Accrued Obligations").
- (1) All such Protected Period Accrued Obligations shall be paid to Executive or his estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination.
- (2) Anything in this Agreement to the contrary notwithstanding, Executive or his estate or beneficiary, as applicable, shall be entitled to receive death or disability benefits at least equal to the most favorable benefits provided by the Company and any of its subsidiaries to surviving families of employees (in the case of death) of the Company and such subsidiaries, or, in the case of Disability, to disabled employees and/or their families, under such plans, programs, practices and policies relating to disability or family death benefits, if any, in accordance with the most favorable plans, programs, practices and policies of the Company and its subsidiaries in effect at any time during the 90-day period immediately preceding the Protected Period Effective Date or, if more favorable to Executive and/or Executive's family, as in effect on the date of Executive's death or Disability with respect to other key employees of the Company and its subsidiaries and their families.

- (iii) Without Cause or for Good Reason. If Executive terminates his employment for Good Reason or his employment is terminated by the Company without Cause during the Protected Period, Executive shall receive:
- (1) To the extent not theretofore paid, Executive's Highest Base Salary through the Date of Termination; and
 - (2) The product of (x) the greater of the Annual Bonus paid or payable (annualized for any fiscal year consisting of less than twelve full months or for which Executive has been employed for less than twelve full months) to Executive for the most recently completed fiscal year during the Term, if any, or the Average Annual Bonus),and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365;
 - (3) The product of (x) two and (y) the sum of (i) the Highest Base Salary and (ii) the Average Annual Bonus; and
 - (4) In the case of compensation previously deferred by Executive, all amounts previously deferred (together with accrued interest thereon, if any) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company; and
 - (5) In addition, Executive shall be paid an amount equal to two years of COBRA premiums based on the terms of Company's group health plan and Executive's coverage under such plan as of the Date of Termination (regardless of any COBRA election actually made by Executive or the actual COBRA coverage period under Company's group health plan).
 - (6) All such payments under this Paragraph 4(b)(iii) shall be paid to Executive in a lump sum in cash within 30 days of the Date of Termination, provided that Executive has signed a Release and such Release has become irrevocable on or before the payment date.
 - (7) For purposes of this Agreement, the "Average Annual Bonus" shall be the average of the Annual Bonus paid or payable to Executive by the Company and its affiliated companies in respect of the two

fiscal years immediately preceding the fiscal year in which termination occurs.

- (c) Notwithstanding any other provision to the contrary, with respect to the timing of payments under Paragraph 4(a) or 4(b), if, at the time of Executive's termination, Executive is deemed to be a "specified employee" (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and any successor statute, regulation and guidance thereto) of the Company, then only to the extent necessary to comply with the requirements of Code Section 409A, any payments to which Executive may become entitled under Paragraph 4(b) which are subject to Code Section 409A (and not otherwise exempt from its application) will be withheld until the first business day of the seventh month following the termination of Executive's employment, at which time Executive shall be paid an aggregate amount of payments otherwise due to the Executive under the terms of Paragraph 4(a) or 4(b) for the preceding 6-month period, as applicable.
- (d) Inventory Liquidation. In the event the Executive leaves the Company (for any reason, with or without Cause or for Good Reason) prior to a Change of Control and within 36 months after the Commencement Date, then the Company will have the option to require the Executive to extend his employment at his then current annual base salary for a period of up to three months or until such time prior to three months that the Executive liquidates and sells the inventory purchased in connection with the Huttig-Grip product line expansion at or above landed cost (the "Final Separation Date"), and Company will defer payment of any severance or payout hereunder until the Final Separation Date.
- (e) Definitions.
 - (i) Protected Period, Protected Period Effective Date. The "Protected Period" shall begin on the closing date of a transaction constituting a Change of Control (defined below) (the "Protected Period Effective Date") and ending upon the first to occur of the date that is 36 months from the Protected Period Effective Date and the first day of the month next following Executive's normal retirement date ("Normal Retirement Date") under the Huttig Building Products, Inc. Savings & Investment Plan, or any successor retirement plan (the "Retirement Plan"); provided that, if Executive's employment with the Company is terminated prior to the date on which a Change of Control occurs, and it

is reasonably demonstrated that such termination (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement, and specifically without limitation, the “Protected Period Effective Date” shall mean the date immediately prior to the date of Executive’s termination.

- (ii) Cause. Cause during the Protected Period shall have the same meaning as set forth in Paragraph 4(a)(iii) above.
- (iii) Good Reason. “Good Reason” means Executive’s good faith determination that any of the following has occurred:
 - (1) Executive’s Base Salary is less than twelve times the highest monthly base salary paid or payable to him by the Company during the twelve-month period immediately preceding the month in which the Protected Period Effective Date occurs;
 - (2) Executive is not eligible to receive an Annual Bonus in cash on the same basis as in the fiscal year immediately preceding the fiscal year in which the Protected Period Effective Date occurs;
 - (3) The Company fails to offer to Executive (and his eligible spouse and dependents, as applicable) incentive, savings and retirement plans, practices, policies and programs as may be applicable to other key employees of the Company and its subsidiaries and welfare benefit plans and policies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs), which shall provide Executive (and his eligible spouse and dependents) with compensation, benefits and reward opportunities, and welfare benefits, as applicable, at least as favorable in the aggregate as the most favorable of such compensation, benefits and reward opportunities and welfare benefits as provided by the Company for Executive (and his spouse and dependents, as applicable) under such plans, practices, policies and programs as in effect at any time during the 90-day period immediately preceding the Protected Period Effective Date or, if more favorable to Executive, as provided at any time

thereafter with respect to other key employees of the Company and its subsidiaries;

- (4) The Company does not provide (A) prompt reimbursement for reasonable expenses, (B) paid vacation, (C) fringe benefits, including an automobile allowance and payment of travel expenses, or (D) provide an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance, at least equal in all cases to the most favorable of the foregoing provided under any policies or practices, or provided to Executive by the Company and its subsidiaries at any time during the 90-day period immediately preceding the Protected Period Effective Date or, if more favorable to Executive, as provided at any time thereafter with respect to other key employees of the Company and its subsidiaries;
- (5) The assignment of Executive of any duties inconsistent in any respect with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as they were constituted at any time during the 90-day period immediately preceding the Protected Period Effective Date, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities;
- (6) The Company requires Executive to perform his services at a location other than where he was employed immediately preceding the Protected Period Effective Date or any office or location more than thirty-five (35) miles from such location, except for travel reasonably required in the performance of Executive's responsibilities;
- (7) Any purported termination by the Company of Executive's employment otherwise than as expressly permitted by this Agreement; or
- (8) Any failure by the Company to comply with and satisfy Paragraph 10 of this Agreement.

Notwithstanding the foregoing, for purposes of items (1) — (5) above there shall be excluded from the definition of "Good Reason" any isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by Executive.

- (iv) Change of Control. “Change of Control” of the Company means, and shall be deemed to have occurred upon, the first to occur of any of the following events: (a) the first purchase of shares pursuant to a tender offer or exchange offer (other than a tender offer or exchange offer by the Company) for all or part of the shares of the common stock of the Company (“Shares”) or any securities convertible into such Shares, (b) the receipt by the Company of a Schedule 13D or other notice indicating that a person is the “beneficial owner” (as that term is defined in Rule 13d-3 under the Exchange Act) of 20% or more of the Shares calculated as provided in paragraph (d) of said Rule 13d-3, (c) the date of consummation of any merger, reorganization, consolidation, share exchange, transfer of assets or other transaction having similar effect involving the Company (“Business Transaction”) in which the Company will not be the continuing or surviving corporation or pursuant to which Shares would be converted into cash, securities or other property, other than a Business Transaction in which the holders of the Shares immediately prior to the Business Transaction would own more than 50% of the common stock of the surviving corporation immediately after the Business Transaction, (d) the date of consummation of any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, (e) the adoption of any plan or proposal for the liquidation (but not a partial liquidation) or dissolution of the Company, or (f) the date upon which the individuals who constitute the Board of Directors of the Company (the “Board”) as of the Restatement Effective Date as defined in the Incentive Plan (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to such date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company) shall, for purposes hereof, be considered as though such person were a member of the Incumbent Board.

For purposes of this Agreement, in all respects, the definition of “Change of Control” hereunder shall be interpreted, and limited to the extent necessary, to comply with Code Section 409A, and the provisions of Treasury Notice 2005-1, Proposed Treasury Regulation Section 1.409A and any successor statute, regulation and guidance thereto.

- (v) Disability. “Disability” means
 - (1) Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.
 - (2) Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company.
- (vi) Date of Termination. “Date of Termination” means the date of receipt of the Notice of Termination (as defined in Paragraph 4(g) below) or any later date specified therein, as the case may be; provided, however, that (i) if Executive’s employment is terminated by the Company other than for Cause or Disability or death, the Date of Termination shall be the date on which the Company notifies Executive of such termination and (ii) if Executive’s employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the date the Disability is determined, as the case may be.
- (f) Certain Limitations on Payments by the Company. Notwithstanding any other provision of this Agreement to the contrary, if tax counsel selected by the Company and reasonably acceptable to Executive determines that any portion of any payment under this Agreement would constitute an “excess parachute payment” under Section 280G of the Code, then the payments to be made to Executive under this Agreement shall be reduced (but not below zero) such that the value of the aggregate payments that Executive is entitled to receive under this Agreement and any other agreement or plan or program of the Company shall be one dollar (\$1) less than the maximum amount of payments which Executive may receive without becoming subject to the tax imposed by Section 4999 of the Code.
- (g) Notice of Termination. Any termination by the Company for Cause or by Executive for Good Reason shall be communicated by Notice

of Termination to the other party hereto given in accordance with Paragraph 8 of this Agreement. If Executive terminates this Agreement for any reason or the Company terminates this Agreement without Cause, he or it shall provide to the other not less than thirty (30) days prior written notice. The Company shall not be required to provide any advance notice in the event of a termination for Cause, except as may be specifically provided herein as a result of a “cure” provision, nor shall the thirty (30) day notice requirement apply to either party for a termination as a result of non-renewal of employment at the end of the Original Term or any Renewal Term. For purposes of this Agreement, a “Notice of Termination” means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than sixty (60) days after the giving of such notice). The failure by Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder.

5. Executive Covenants.

- (a) Confidential Information. Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliates and/or subsidiaries, and their respective businesses, which shall have been obtained by Executive during Executive’s employment by the Company or any of its affiliates and/or subsidiaries and which shall not be or become public knowledge (other than by acts by Executive or his representatives in violation of this Agreement). After termination of Executive’s employment with the Company, Executive shall not, without the prior written consent of the Company, use or communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this subparagraph (a) constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.
- (b) Covenant Not to Compete. At all times during Executive’s employment by the Company or any of its affiliates and/or

subsidiaries and for one year following termination of Executive's employment, Executive shall not, unless acting with the prior written consent of the Company, directly or indirectly (i) own, manage, operate, finance, join, control or participate in the ownership, management, operation, financing or control of, or be associated as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with, or use or permit his name to be used in connection with, any profit or not-for-profit business or enterprise which at any time during such period designs, manufactures, assembles, sells, distributes or provides products (or related services) in competition with those designed, manufactured, assembled, sold, distributed, or provided, or under active development, by the Company or any affiliates or subsidiaries of the Company, including without limitation all future developments in and improvements on such products and services, in any part of the world; (ii) offer or provide employment to, interfere with or attempt to entice away from the Company, its subsidiaries and/or affiliates, either on a full-time or part-time or consulting basis, any person who then currently is, or who within one year prior thereto had been, employed by the Company, its subsidiaries and/or affiliates; (iii) directly or indirectly, solicit the business of, or do business with, any customer, supplier, or prospective customer or supplier of the Company, its subsidiaries and/or affiliates, with whom Executive had direct or indirect contact or about whom Executive may have acquired any knowledge while employed by the Company; or (iv) take any action which is intended, or would reasonably be expected, to harm the Company, its subsidiaries and/or affiliates, or their reputation or which would reasonably be expected to lead to unwanted or unfavorable publicity to the Company; provided, however, that this provision shall not be construed to prohibit the ownership by Executive of not more than 2% of any class of securities of any corporation which is engaged in any of the foregoing businesses that has a class of securities registered pursuant to the Securities Exchange Act of 1934. If Executive's spouse engages in any of the restricted activities set forth in the preceding sentence, Executive shall be deemed to have indirectly engaged in such activities in violation of this covenant. This provision shall be extended at the option of the Company, for a period of time equal to all periods during which Executive is in violation of the foregoing covenant not to compete and to extend the covenant not to compete to run from the date any injunction may be issued against Executive, should that occur, to enable the Company to receive the full benefit of the covenant not to compete agreed to herein by Executive.

- (c) Rights and Remedies Upon Breach. It is recognized that the services to be rendered under this Agreement by Executive are special, unique and of extraordinary character. If Executive breaches, or threatens to commit a breach of, any of the provisions of Paragraph 5(a) or 5(b) (the “Covenants”), then the Company and/or any of its affiliates or subsidiaries shall have the following rights and remedies, each of which shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity:
- (d) Specific Performance. The right and remedy to have the Covenants specifically enforced by any court having equity jurisdiction, including obtaining an injunction to prevent any continuing violation thereof, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will be difficult to ascertain and will not provide adequate remedy to the Company.
- (e) Severability of Covenants. If any of the Covenants, or any part thereof, are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the Covenants or the enforceability thereof in any other jurisdiction, which shall be given full effect, without regard to the invalidity or unenforceability in such other jurisdiction.
- (f) Blue-Pencilling. If any of the Covenants, or any part thereof, are held to be unenforceable because of the duration of such provision or the geographical scope covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration or geographical scope of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced; provided, however, that the determination of such court shall not affect the enforceability of the Covenants in any other jurisdiction.
- (g) Assignability. Executive specifically acknowledges and agrees that in the event the Company should undergo any change in ownership or change in structure or control, or should the Company transfer some or all of its assets to another entity, the Covenants contained herein and the right to enforce the Covenants may be assigned by the Company to any company, business, partnership, individual or entity, and that Executive will continue to remain bound by the Covenants.
- (h) Survival. This Paragraph 5 shall survive termination of this Agreement along with the other provisions of the Agreement which by their terms or nature should survive the termination of this Agreement.

6. **Non-exclusivity of Rights.** Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices, provided by the Company or any of its subsidiaries and for which Executive may qualify, nor shall anything herein limit or otherwise affect such rights as Executive may have under any stock option, restricted stock, stock appreciation right, or other agreements with the Company or any of its affiliates or subsidiaries. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of the Company or any of its subsidiaries at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program provided, however, that in the event the terms of any such plan, policy, practice or program concerning the payment of benefits thereunder shall conflict with any provision of this Agreement, the terms of this Agreement shall take precedence but only if and to the extent the payment would not adversely affect the tax exempt status (if applicable) of any such plan, policy, practice or program and only if the employee agrees in writing that such payment shall be in lieu of any corresponding payment from such plan, policy, practice or program.

7. **Full Settlement.** The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or others of the validity or enforceability of, or liability under, any provision of Paragraph 4(b) of this Agreement or any guarantee of performance thereof, plus in each case interest at the applicable Federal rate provided for in Code Section 7872(f)(2).

8. **Notices.** Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered personally, (ii) on the date of delivery if delivered by facsimile or email (with confirmation of transmission) if sent during the normal business hours of the recipient, and on the next business day of recipient if sent after normal business hours of recipient, (iii) on the first business day following the date of dispatch if delivered by Federal Express or other next-day courier service, or (iv) on the third business day following the date of receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

(a) If to the Company:

Huttig Building Products, Inc.
555 Maryville University Drive, Suite 400
St. Louis, Missouri 63141
Attention: General Counsel

Email: rkujawa@huttig.com

(b) If to Executive:

David Fishbein
at the address on file with the Company

Email: _____

9. Waiver of Breach. The waiver of either the Company or Executive of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either the Company or Executive.

10. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of both the Company and Executive and their respective successors, assigns, heirs and legal representatives, but neither this Agreement nor any rights hereunder shall be assigned by either the Company or Executive without the consent in writing of the other party. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Governing Law and Venue. This Agreement shall be governed by and constructed in accordance with the laws of the State of Missouri. However, in the event of any legal or equitable action arising under this Agreement, the venue of such action shall not lie exclusively within Missouri but may lie in any court having proper jurisdiction over such matter.

12. Enforcement Costs. Except as specifically provided herein, if any party hereto institutes any action or proceeding to enforce this Agreement the prevailing party in such action or proceeding shall be entitled to recover from the nonprevailing party all legal costs and expenses incurred by the prevailing party in such action, including, but not limited to, reasonable attorney fees, paralegal fees, law clerk fees, and other legal costs and

expenses, whether incurred at or before trial, and whether incurred at the trial level or in any appellate, bankruptcy, or other legal proceeding.

13. Amendment; Integration. No change or modification of this Agreement shall be valid unless the same is in writing and signed by the person or party to be charged. The Company and Executive agree that they will negotiate in good faith and jointly execute an amendment to modify this Agreement to the extent necessary to comply with the requirements of Code Section 409A, or any successor statute, regulation and guidance thereto; provided, however, under no circumstances shall the Company be obligated to increase its financial obligations to Executive in connection with any such amendment. Effective as of the Effective Date, this Agreement shall supersede any and all other agreements, either oral or written, between the parties hereto with respect to the subject matter hereof, except this Agreement shall not supersede terms of prior written agreements that survive the termination of such agreements, nor shall this Agreement supersede the Indemnification Agreement by and between Executive and the Company described in Section 16 below.

14. Severability. If any portion of this Agreement shall be, for any reason, invalid or unenforceable, the remaining portion or portions shall nevertheless be valid, enforceable and carried into effect, unless to do so would clearly violate the present legal and valid intention of the parties hereto.

15. Tax Consequences. Executive hereby acknowledges and agrees that the Company makes no representations or warranties regarding the tax treatment or tax consequences of any compensation, benefits or other payments under this Agreement, including, without limitation, by operation of Code Section 409A, or any successor statute, regulation and guidance thereto.

16. Indemnification. The Company and Executive have previously executed an Indemnification Agreement dated November 14, 2016.

17. Headings. The headings of this Agreement are inserted for convenience only and are not to be considered in construction of the provisions hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officers, and Executive has hereunto set his hand, as of the day and year first above written.

HUTTIG BUILDING PRODUCTS, INC.

By: /s/ Jon P. Vrabely

Name: Jon P. Vrabely

Title: President

EXECUTIVE:

/s/ David Fishbein

David Fishbein

Subsidiary of the Company

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Huttig, Inc.	Delaware

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Huttig Building Products, Inc.:

We consent to the incorporation by reference in registration statement Nos. 333-217625, 333-92495, 333-75610, 333-131090, 333-145151, 333-164518, and 333-179596 on Form S-8 of Huttig Building Products, Inc. of our report dated March 7, 2018, with respect to the consolidated balance sheets of Huttig Building Products, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2017, which report appears in the December 31, 2017 annual report on Form 10-K of Huttig Building Products, Inc.

/s/ KPMG LLP

St. Louis, Missouri
March 7, 2018

Huttig Building Products, Inc. and Subsidiaries
Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jon P. Vrabely, certify that:

1. I have reviewed this annual report on Form 10-K of Huttig Building Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 7, 2018

/s/ Jon P. Vrabely

Jon P. Vrabely
President, Chief Executive Officer and Interim Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Huttig Building Products, Inc. (the "Company") on Form 10-K for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon P. Vrabely, President, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify, to my knowledge pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jon P. Vrabely

Jon P. Vrabely
President, Chief Executive Officer and Interim Chief Financial
Officer

March 7, 2018

