

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NCI BUILDING SYSTEMS, INC.

11. LONG-TERM DEBT AND NOTE PAYABLE – (continued)

Security Agreement, in order to amend the ABL Loan and Security Agreement to (i) permit the CENTRIA Acquisition, (ii) permit the entry by the Company into documentation with respect to certain debt financing to be incurred in connection with the CENTRIA Acquisition and the incurrence of debt with respect thereto, (iii) extend the maturity date to June 24, 2019, (iv) decrease the applicable margin with respect to borrowings thereunder and (v) make certain other amendments and modifications to provide greater operational and financial flexibility.

Borrowing availability under the Amended ABL Facility is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of qualified cash, eligible inventory and eligible accounts receivable, less certain reserves and subject to certain other adjustments. At October 30, 2016 and November 1, 2015, the Company's excess availability under the Amended ABL Facility was \$140.9 million and \$131.0 million, respectively. At October 30, 2016 and November 1, 2015, the Company had no revolving loans outstanding under the Amended ABL Facility. In addition, at October 30, 2016 and November 1, 2015, standby letters of credit related to certain insurance policies totaling approximately \$9.1 million and \$8.7 million, respectively, were outstanding but undrawn under the Amended ABL Facility.

The Amended ABL Facility contains a number of covenants that, among other things, limit or restrict the Company's ability to dispose of assets, incur additional indebtedness, incur guarantee obligations, engage in sale and leaseback transactions, prepay other indebtedness, modify organizational documents and certain other agreements, create restrictions affecting subsidiaries, make dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, change the nature of their business and engage in certain transactions with affiliates.

The Amended ABL Facility includes a minimum fixed charge coverage ratio of one to one, which will apply if the Company fails to maintain a specified minimum borrowing capacity. The minimum level of borrowing capacity as of October 30, 2016 and November 1, 2015 was \$21.1 million and \$19.7 million, respectively. Although the Amended ABL Facility did not require any financial covenant compliance, at October 30, 2016 and November 1, 2015, the Company's fixed charge coverage ratio as of those dates, which is calculated on a trailing twelve month basis, was 2.86:1.00 and 3.54:1.00, respectively. These ratios include the pro forma impact of the CENTRIA Acquisition.

Loans under the Amended ABL Facility bear interest, at our option, as follows:

- (1) Base Rate loans at the Base Rate plus a margin. The margin ranges from 0.75% to 1.25% depending on the quarterly average excess availability under such facility, and
- (2) LIBOR loans at LIBOR plus a margin. The margin ranges from 1.75% to 2.25% depending on the quarterly average excess availability under such facility.

During an event of default, loans under the Amended ABL Facility will bear interest at a rate that is 2% higher than the rate otherwise applicable. "Base rate" is defined as the higher of the Wells Fargo Bank, N.A. prime rate or the overnight Federal Funds rate plus 0.5% and "LIBOR" is defined as the applicable London interbank offered rate adjusted for reserves.

Deferred Financing Costs

At October 30, 2016 and November 1, 2015, the unamortized balance in deferred financing costs related to the Credit Agreement, the Amended ABL Facility and the Notes was \$9.1 million and \$11.1 million, respectively, and was included in other assets, net on the consolidated balance sheets.

Insurance Note Payable

As of October 30, 2016 and November 1, 2015, the Company had an outstanding note payable in the amount of \$0.5 million and \$0.5 million, respectively, related to financed insurance premiums. Insurance premium financings are generally secured by the unearned premiums under such policies.

12. CD&R FUNDS

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the "Investment Agreement"), by and between the Company and Clayton, Dubilier & Rice Fund VIII L.P. ("CD&R Fund VIII"). In connection with the Investment Agreement and the Stockholders Agreement dated October 20, 2009 (the "Stockholders Agreement"), the CD&R Fund VIII and the Clayton, Dubilier & Rice Friends & Family Fund VIII, L.P. (collectively, the "CD&R Funds") purchased convertible preferred stock, which was later converted to shares of our Common Stock on May 14, 2013.

On January 15, 2014, the CD&R Funds completed a registered underwritten offering, in which the CD&R Funds offered 8.5 million shares of Common Stock at a price to the public of \$18.00 per share (the "2014 Secondary Offering"). The