UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 10-Q

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

For the quarterly period ended March 31, 2000

OR

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

For the transition period from ................. to .................

Commission file number 0-3922

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

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

1800 South 14th Street, Elkhart, IN 46516
(Address of principal executive offices)
(ZIP Code)

(219) 294-7511
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

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

Shares of Common Stock Outstanding as of April 30, 2000: 5,273,266



PATRICK INDUSTRIES, INC.

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PART I: FINANCIAL INFORMATION

<TABLE>

PATRICK INDUSTRIES, INC.
CONDENSED BALANCE SHEETS

<CAPTION>

| ASSETS | (Unaudited) MARCH 31 2000 | DECEMBER 31 1999 |
|---|---|---|
| <S> | <C> | <C> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 380,722 | $ 6,686,182 |
| Trade receivables | 25,833,400 | 18,498,685 |
| Inventories | 45,700,435 | 42,039,348 |
| Prepaid expenses | 765,055 | 663,189 |
| Total current assets | 72,679,612 | 67,887,404 |
| PROPERTY AND EQUIPMENT, at cost | 91,887,941 | 90,450,403 |
| Less accumulated depreciation | 48,671,692 | 40,554,763 |
| | 43,216,249 | 49,895,640 |
| DEFERRED TAX ASSETS | 754,000 | - - - |
| INTANGIBLE AND OTHER ASSETS | 6,724,023 | 8,420,056 |
| Total assets | $123,373,884 | $126,203,100 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt | $ 3,671,428 | $ 3,671,428 |
| Accounts payable, trade | 19,969,236 | 11,155,999 |
| Accrued liabilities | 4,073,581 | 5,506,326 |
| Total current liabilities | 27,714,245 | 20,333,753 |
| LONG-TERM DEBT, less current maturities | 22,457,144 | 22,457,144 |
| DEFERRED COMPENSATION OBLIGATIONS | 1,982,252 | 1,945,058 |
| DEFERRED TAX LIABILITIES | - - - | 1,900,000 |
| SHAREHOLDERS' EQUITY | | |
| Common stock | 20,245,333 | 21,389,940 |
| Retained earnings | 50,974,910 | 58,177,205 |
| Total shareholders' equity | 71,220,243 | 79,567,145 |
| Total liabilities and shareholders' equity | $123,373,884 | $126,203,100 |

See accompanying notes to Unaudited Condensed Financial Statements.

</TABLE>



<TABLE>

PATRICK INDUSTRIES, INC.
UNAUDITED CONDENSED STATEMENTS OF INCOME

<CAPTION>

| | THREE MONTHS ENDED MARCH 31 | |
|---|---|---|
| | 2000 | 1999 |
| <S> | <C> | <C> |
| NET SALES | $ 99,824,073 | $ 107,352,034 |
| COST AND EXPENSES | | |
| Cost of goods sold | 89,070,610 | 93,368,182 |
| Warehouse and delivery expenses | 4,106,037 | 3,832,100 |
| Selling, general, and administrative expenses | 6,861,282 | 6,131,461 |
| Impairment charges | 6,937,163 | - - - |
| Interest expense, net | 313,633 | 366,335 |
| | 107,288,725 | 103,698,078 |
| INCOME (LOSS) BEFORE INCOME TAXES | (7,464,652) | 3,653,956 |
| INCOME TAXES (CREDIT) | (2,862,300) | 1,443,300 |
| NET INCOME (LOSS) $ (4,602,352) | $ 2,210,656 | |
| BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE | $ (.86) | $ .38 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | 5,346,346 | 5,786,480 |

See accompanying notes to Unaudited Condensed Financial Statements

</TABLE>



<TABLE>

PATRICK INDUSTRIES, INC.
UNAUDITED CONDENSED STATEMENTS OF
CASH FLOWS

<CAPTION>

| | THREE MONTHS ENDED MARCH 31 | |
|---|---|---|
| | 2000 | 1999 |
| <S> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | $(4,602,352) | $ 2,210,656 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,464,823 | 2,061,724 |
| Impairment charges | 6,937,163 | - - - |
| (Gain) loss on sale of fixed assets | 2,368 | (642,876) |
| Deferred income taxes | (2,654,000) | - - - |
| Other | 147,194 | 37,773 |
| Change in assets and liabilities: | | |
| Decrease (Increase) in: | | |
| Trade receivables | (7,334,715) | (9,843,245) |
| Inventories | (3,661,087) | 1,290,004 |
| Prepaid expenses | (101,866) | 18,965 |
| Increase (Decrease) in: | | |
| Accounts payable and accrued liabilities | 7,787,064 | 4,042,704 |
| Income taxes payable | (406,572) | 1,518,088 |
| Net cash provided by (used in) operating activities | (1,421,980) | 693,793 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (1,097,110) | (1,472,764) |
| Proceeds from sale of fixed assets | 2,000 | 852,676 |
| Other | (22,500) | (21,000) |
| Net cash (used in) investing activities | (1,117,610) | (641,088) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Reacquisition of common stock | (3,534,001) | (2,142,830) |

| | | |
|---|---|---|
| Proceeds from exercise of common stock options | - - - | 5,375 |
| Principal payments on long-term debt | - - - | (157,701) |
| Cash dividends paid | (210,549) | (234,321) |
| Other | (21,320) | (36,992) |
| Net cash (used In) financing activities | (3,765,870) | (2,566,469) |
| Decrease in cash and cash equivalents | (6,305,460) | (2,513,764) |
| Cash and cash equivalents, beginning | 6,686,182 | 3,704,693 |
| Cash and cash equivalents, ending | $ 380,722 | $ 1,190,929 |
| Cash Payments for: | | |
| Interest | $ 638,240 | $ 111,140 |
| Income taxes | 176,611 | 7,711 |

See accompanying notes to Unaudited Condensed Financial Statements

</TABLE>



PATRICK INDUSTRIES, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals and the adjustment for the impairment of certain long-lived assets as discussed in Note 5) necessary to present fairly the financial position as of March 31, 2000, and December 31, 1999, and the results of operations and cash flows for the three months ended March 31, 2000 and 1999.

2. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in Company's December 31, 1999 audited financial statements. The results of operations for the three month periods ended March 31, 2000 and 1999 are not necessarily indicative of the results to be expected for the full year.

3. The inventories on March 31, 2000 and December 31, 1999 consist of the following classes:

| | March 31 2000 | December 31 1999 |
|---|---|---|
| Raw materials | $26,953,320 | $23,286,250 |
| Work in process | 1,090,056 | 1,555,319 |
| Finished | 5,066,072 | 4,668,813 |
| Total manufactured goods | 33,109,448 | 29,510,382 |
| Distribution products | 12,590,987 | 12,528,966 |
| TOTAL INVENTORIES | $45,700,435 | $42,039,348 |

The inventories are stated at the lower of cost, First-In, First-Out (FIFO) method, or market.

4. Stock options outstanding are immaterial and had no effect on earnings per share.

Earnings per common share for the three months ended March 31, 2000 and 1999 have been computed based on the weighted average common shares outstanding of 5,346,346 and 5,786,480 respectively.

5. The Company recognized a non-cash accounting charge in the first quarter of 2000 related to an impairment of certain long-lived assets as required by SFAS 121. As a result of the implications of the downturn in the manufactured housing industry, the competitive pricing adversely affecting margins in certain of the Company's operating units, and insufficient efficiency gains from operational changes implemented by management, updated analyses were prepared to determine if there was impairment of any long-lived assets primarily in the Company's Wood and Other Segments. The carrying values of these assets were calculated on the basis of discounted estimated future cash flow

and resulted in a charge to operations of $6,937,163 or $.80 per share, net of tax. This charge was recognized as an impairment of assets in the March 31, 2000 financial statements. The SFAS 121 charge had no impact on the Company's 2000 cash flow or its ability to generate cash flow in the future. As a result of the SFAS 121 charge, depreciation and amortization expense related to these assets will decrease in future periods.

6. In April 2000 the Company decided to close one of its cabinet door manufacturing facilities and consolidate its operations into other existing facilities. The Company expects to incur restructuring charges of approximately $670,000, most of which is expected to be incurred in the second quarter. Accordingly, no charges have been accrued in the March 31, 2000 financial statements.

7. The Company's reportable segments are as follows:

Laminating - Utilizes various materials including gypsum, particleboard, plywood, and fiberboard which are bonded by adhesives or a heating process to a number of products including vinyl, paper, foil, and high pressure laminate. These



laminated products are utilized to produce furniture, shelving, wall, counter, and cabinet products with a wide variety of finishes and textures.

Distribution - Distributes primarily pre-finished wall and ceiling panels, particleboard, hardboard, and vinyl siding, roofing products, passage doors, building hardware, insulation, and other products.

Wood - Uses raw lumber including solid oak, other hardwood materials, and laminated particleboard or plywood to produce cabinet door product lines.

Other - Includes aluminum extrusion, painting and distribution, manufacture of adhesive products, pleated shades, plastic thermoforming, and manufacturer of laminating equipment.

The table below presents unaudited information about the revenue and operating income of those segments:

<TABLE>

| | LAMINATING | DISTRIBUTION | WOOD | OTHER | SEGMENT TOTAL |
|---|---|---|---|---|---|
| | | | THREE MONTHS ENDED MARCH 31, 2000 | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net outside sales | $ 43,563,694 | $ 35,874,665 | $ 9,663,555 | $10,722,159 | $ 99,824,073 |
| Intersegment sales | 1,827,626 | 8,810 | 271,253 | 4,938,076 | 7,045,765 |
| Total sales | $ 45,391,320 | $ 35,883,475 | $ 9,934,808 | $15,660,235 | $ 106,869,838* |
| EBIT** | $ 494,138 | $ 397,038 | $ (6,034,164)*** | $(1,618,264)*** | $ (6,761,252) |
| Total assets | $ 43,481,458 | $ 23,603,629 | $ 8,073,637 | $15,098,136 | $ 90,256,860 |
| | | | THREE MONTHS ENDED MARCH 31, 1999 | | |
| Net outside sales | $ 45,102,806 | $ 41,205,691 | $ 10,686,970 | $10,182,261 | $107,177,728 |
| Intersegment sales | 1,617,431 | - - - | 217,161 | 5,193,930 | 7,028,522 |
| Total sales | $ 46,720,237 | $ 41,205,691 | $ 10,904,131 | $15,376,191 | $114,206,250* |
| EBIT** | $ 2,315,015 | $ 1,069,655 | $ (781,477) | $ 598,071 | $ 3,201,264 |
| Total assets | $ 44,248,320 | $ 24,860,380 | $ 13,752,313 | $18,369,220 | $101,230,233 |

</TABLE>

Reconciliation of segment operating income to consolidated operating income

| | 2000 | 1999 |
|---|---|---|
| EBIT** for segments | $(6,761,252) | $ 3,201,264 |
| Consolidation reclassifications | (185,163) | (188,798) |
| Gain (loss) on sale of property and equipment | (2,368) | 638,672 |
| Other | (202,234) | 369,153 |
| Consolidated EBIT** | $(7,151,017) | $4,020,291 |

*Does not agree to Financial Statements due to consolidation eliminations.
**Earnings before interest and taxes
***The Company recognized a charge in the first quarter 2000 of $5,371,295 and $1,565,868 to the Wood and Other Segments respectively, related to the impairment of long-lived assets as discussed in Note 5 to the March 31, 2000 financial statements.
The identifiable asset values for each segment have been reduced accordingly at March 31, 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS



GENERAL

The Company's business has shown significant revenue growth since 1991, as net sales increased annually from $143 million to over $457 million in eight years. The sales in 1999 were 0.8% ahead of the 1998 record year. The increase in sales resulted from the continued strength of both the economy and the manufactured housing and recreational vehicle industries. In the last quarter of 1999 it became apparent that the manufactured housing industry had produced units in excess of the retail demand and consumer credit availability had decreased, resulting in approximately 7.0% decline in production that year. Retail sales lots were overstocked and unit production was reduced. In the first quarter 2000 the industry is down nearly 21% in units shipped and this reduction may continue. The Company's sales were 67% to manufactured housing, 16% to recreational vehicle, and 17% to other industries in 1999. In the first quarter of 2000, the sales are 54% to manufactured housing, 27% to recreational vehicle, and 19% to other industries.

The following table sets forth the percentage relationship to net sales of certain items in the Company's Statements of Operations:

| | Quarterly Ended March 31, 2000 | Quarterly Ended March 31, 1999 |
|---|---|---|
| Net sales | 100.0% | 100.0% |
| Cost of sales | 89.2 | 87.0 |
| Gross profit | 10.8 | 13.0 |
| Warehouse and delivery | 4.1 | 3.6 |
| Selling, general & administrative | 6.9 | 5.7 |
| Impairment charges | 6.9 | - - |
| Operating income (loss) | (7.2) | 3.7 |
| Net income (loss) | (4.6) | 2.1 |

RESULTS OF OPERATIONS

Quarter Ended March 31, 2000 Compared to Quarter Ended March 31, 1999

Net Sales. Net sales decreased by $7.5 million, or 7.0%, from $107.3 million in the quarter ended March 31, 1999 to $99.8 million in the quarter ended March 31, 2000. This decrease was a direct result of an estimated 21% decrease in units shipped and 22% decrease in units produced in the manufactured housing industry in the first quarter 2000.

Gross Profit. Gross profit decreased by $3.2 million, or 23.1%, from $14.0 million in the first quarter of 1999 compared to $10.8 million in the same quarter in 2000. As a percentage of net sales, gross profit decreased 2.2%, from 13.0% in the first quarter of 1999 to 10.8% in the first quarter 2000. This decrease was due to a 7.0% decrease in consolidated net sales as well as highly competitive market conditions affecting margins. Several of our operations have reduced prices in order to maintain sales which has resulted in lower gross profits.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased $0.3 million, from $3.8 million in the first quarter 1999 to $4.1 million in the first quarter 2000. As a percentage of net sales, warehouse and delivery expenses increased from 3.6% in the first quarter of 1999 to 4.1% in the first quarter 2000. This increase is attributable to lower sales levels and higher shipping costs specifically related to the increase in gasoline prices in the first quarter 2000.

Selling, General, and Administrative Expenses. For the period ended March 31, 1999, a $0.6 million gain on sale of assets has been included in the selling, general, and administrative expenses. Exclusive on the gain of the sale of assets, selling, general, and administrative expenses increased 1.4% in the quarter ended March 31, 2000 compared to the same period in 1999. These expenses remained fairly constant at $6.8 million for both quarters. As a percentage of net sales however, March 31, 2000 expenses were 6.9% compared to 6.3% for the three-month period ended March 31, 1999.

Impairment Charges. As discussed in Note 5 of the financial statement, the Company recognized an impairment charge of $6.9 million in the first quarter of 2000.



Operating Income (Loss). The Company experienced a quarterly operating loss of $7.2 million compared to operating income in the first quarter of 1999 of $4.0 million. The operating loss in the first quarter of 2000 was due to the factors described above.

Interest Expense, Net. Interest expense, net of interest income, decreased 14.4% from $366,000 in the first quarter of 1999 to $314,000 in the same period in 2000. This decrease is attributable to more funds invested in the first quarter 2000 as well as lower long-term debt levels due to normal debt service requirements.

Net Income (Loss). The Company experienced a net operating loss in the first quarter of 2000 of $4.6 million compared to net income of $2.2 million in the period ended March 31, 1999. This decrease is due primarily to the factors described above.

Quarter Ended March 31, 1999 Compared to Quarter Ended March 31, 1998

Net Sales. Net sales increased by $2.4 million, or 2.3%, from $105.0 million in the quarter ended March 31, 1998 to $107.4 million in the quarter ended March 31, 1999. This sales increase was attributable to higher unit production in the manufactured housing and recreational vehicle industries. The Company's sales are 60% to manufactured housing, 20% to recreational vehicles, and 20% to other industrial industries.

Gross Profit. Gross profit increased by approximately $0.7 million, or 5.5%, from $13.3 million in the first quarter of 1998, to $14.0 million in the same quarter of 1999. As a percentage of net sales, gross profit increased from 12.6% in the first quarter of 1998 to 13.0% in 1999. The increase in gross profit was due to certain operations showing improvement over the same 1998 quarter, while highly competitive market pricing of many of the Company's products continued in the first quarter of 1999.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased approximately $0.1 million, or 3.0%, from $3.7 million in 1998 to $3.8 million in the 1999 first quarter. As a percentage of net sales, warehouse and delivery expenses increased from 3.5% in the first quarter of 1998 to 3.6% in 1999.

Selling, General, and Administrative Expenses. For the period ended March 31, 1999, a $0.6 million gain on the sale of assets has been included in the selling, general, and administrative expenses. Exclusive on the gain of the sale of assets, selling, general, and administrative expenses increased by approximately $0.5 million, or 8.1%, from $6.3 million in 1998, to $6.8 million in 1999. As a percentage of net sales, selling, general, and administrative expenses increased from 6.0% in 1998 to 6.3% in 1999. Expense increases were partially attributable to the Management Information System implementation expenses and additional personnel required as a result of the growth the Company has experienced over the last several years.

Operating Income. Operating income increased by approximately $0.7 million because of the gain on the sale of real estate and increased gross profits. As a percentage of net sales, operating income increased from 3.1% in1998 to 3.7% in the 1999 first quarter.

Interest Expense, Net. Interest expense, net of interest income, increased by approximately $0.1 million in 1999 from $254,000 in 1998 to $366,000 in 1999. The Company's borrowing level increased because of a new industrial revenue bond issued in the third quarter of 1998 and the Company had less invested funds in 1999.

Net Income. Net income increased by approximately $0.4 million from $1.8 million in the 1998 first quarter to $2.2 million in 1999. This increase is primarily attributable to the factors described above.



BUSINESS SEGMENTS

Three Months Ended March 31, 2000 Compared to Three Months Ended March 31, 1999

Laminating Segment Discussion

Net sales decreased in the first quarter of 2000 by $1.3 million, or 2.8%, from $46.7 million in the period ended March 31, 1999 to $45.4 million in the period ended March 31, 2000. This decline in sales volume was due to approximately 21% less shipments nationwide in the manufactured housing industry and declines over 30% in some of the Company's market areas.

EBIT declined 78.6% in the laminating segment from $2.3 million in the period ended March 31, 1999 compared to $0.5 million in the period ended March 31, 2000. As a percentage of net sales, EBIT decreased 3.9% from 5.0% in the first quarter 1999 to 1.1% in the first quarter 2000. The ability to increase selling prices in the first quarter of 1999 became more difficult in the second half of that year and in the first quarter of 2000 the Company had to make concessions in pricing to maintain business as a result of the decline in the overall industry.

Distribution Segment Discussion

Net sales decreased 12.9%, or $5.3 million, from $41.2 million in the first quarter 1999 to $35.9 million in the first quarter 2000. This decrease is due to the decline in units shipped in the manufactured housing industry for which this segment serves.

EBIT decreased 67.8%, or $673,000, due to the decrease in sales and competitive pricing situations.

Wood Segment Discussion

Net sales decreased 8.9%, or $1.0 million, from $10.9 million in the period ended March 31, 1999 to $9.9 million in the period ended March 31, 2000. This decline is due to the overall decline in the industry as well as some operating divisions choosing not to accept lower margin business.

The EBIT for the first quarter includes a charge of approximately $5.4 million related to the impairment of certain long lived assets in three of the Company's six Wood segment operating units. Excluding these charges, the EBIT in 2000 of $663,000 is less than the loss experienced in the first quarter of 1999 of $781,000 by $118,000, or 15.2%. As mentioned in Note 6 to the March 31, 2000 consolidated financial statements above, one of the operations that has continued to experience operating losses, will be phased out by mid 2000.

Other Segment Discussion

Net sales in the Other segment increased by 1.9%, or $284,000, from $15.4 million in the three months ended March 31, 1999 to $15.7 million in the three month period ending March 31, 2000. This increase is primarily attributable to increased sales in the Company's aluminum extrusion division which sells to areas mainly outside the manufactured housing industry.

The EBIT for the first quarter includes a charge of approximately $1.5 million related to the impairment of certain long-lived assets in one of the Company's seven Other segment operating units. Excluding these charges, the Other segment experienced an EBIT for the first quarter 2000 of $52,000, compared to EBIT in the first quarter 1999 of $598,000. This decrease in operating income was due to one division, which was profitable in 1999, becoming unprofitable in 2000 and another division continuing to lose market share due to operational inefficiencies.

Three Months Ended March 31, 1999 Compared to Three Months Ended March 31, 1998

Laminating Segment Discussion

Net Sales in the 1999 period were lower in this segment by 8.3%. One operation was closed in June of 1998 that represented approximately $3.2 million less sales in the March 31, 1999 quarter, and another operation was started in March of 1998 that contributed approximately $1.0 million of additional sales to the 1999 period. The Company also chose not to meet some competitive market pricing situations with certain existing business.

EBIT in the laminating segment increased 14.0% in the 1999 period and as a percentage of sales, the increase was from 4.0% to 5.0%. The Company reduced material costs in most operations by increasing selling prices when raw product costs increased and by reducing the sales of lower margin business.

Distribution Segment Discussion

Net sales in the 1999 quarter increased by 18.4% in the distribution segment primarily because of the growth in the manufactured housing and recreational vehicle industries, which this segment serves.

The EBIT from this segment increased by 82.7%. Gross profit margins increased and distribution expenses, selling, general and administrative expenses all decreased as percentages of sales in the 1999 period. These factors and the increased sales provided this positive income change.

Wood Segment Discussion

Net sales in the wood segment increased by 5.4% in the 1999 first quarter.

The overall operating results also showed no significant change in the 1999 period, with losses showing a slight reduction as percentages of sale from 7.8% in the 1998 first quarter to 7.2% in the current year. Several operations in this segment had EBIT improvement in the 1999 period, while one operation had EBIT gains offset by the relocation and consolidation of one of its facilities.

Other Segment Discussion

Net sales in this segment were lower in 1999 by 14% from the first quarter of 1998 primarily because the Company's aluminum extrusion division had to shut down one press for major repairs.

The EBIT in this segment was lower by 51.5%. The reduced sales in the extrusion operation and inventory cost increases in another division accounted for most of the income reduction.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary capital requirements are to meet working capital needs, support its capital expenditure plans, and meet debt service requirements.

The Company, in September, 1995, issued to an insurance company in a private placement $18,000,000 of senior unsecured notes. The ten year notes bear interest at 6.82%, with semi-annual interest payments that began in 1996 and seven annual principal repayments that began September 15, 1999. These funds were used to reduce existing bank debt and for working capital needs.

The Company has an unsecured bank Revolving Credit Agreement that provides loan availability of $10,000,000 with maturity in the year 2003.

Pursuant to the private placement and the Credit Agreement, the Company is required to maintain certain financial ratios, all of which are currently complied with.

The Company believes that cash generated from operations and borrowings under its credit agreements will be sufficient to fund its working capital requirements and normal recurring capital expenditures as currently contemplated. The fluctuations in inventory and accounts receivable balances, which affect the Company's cash flows, are part of normal business cycles.

SEASONALITY

Manufacturing operations in the manufactured housing and recreational vehicle industries historically have been seasonal and



are generally at the highest levels when the climate is moderate. Accordingly, the Company's sales and profits are generally highest in the second and third quarters.

YEAR 2000 ISSUE

The Company began a new management information system implementation project in 1996, which was fully operational by November, 1999. The project was started because of the need to upgrade all hardware and software to meet capacity and information needs at that time and for the future, and to solve the

Year 2000 issue. The new system did solve the Year 2000 issue and no external factors affected the Company.

The total cost of Year 2000 activities cannot be specifically determined because the internal information system project was planned for management and operation purposes and Year 2000 compliance was a benefit of that system. The expenditures of implementing the new information hardware and software system was approximately $8.0 million.

INFLATION

The Company does not believe that inflation had a material effect on results of operations for the periods presented.

SAFE HARBOR STATEMENT

Statements that do not address historical performance are "forward-looking statements" within the meaning of the Private Securities Litigation reform Act of 1995 and are based on a number of assumptions, including but not limited to; (1) continued domestic economic growth and demand for the Company's products; and (2) the Company's belief with respect to its capital expenditures, seasonality and inflation. Any developments significantly deviating from these assumptions could cause actual results to differ materially from those forecast or implied in the aforementioned forward-looking statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None



PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10(q) - First Amendment to Credit Agreement as of January 28, 2000 between the Company and Bank One, Indiana, N.A., filed herewith

27 Financial Data Schedule

(b) There were no reports filed on Form 8-K



SIGNATURES

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

PATRICK INDUSTRIES, INC.
(Company)

Date May 11, 2000 /S/Mervin D. Lung

Mervin D. Lung
(Chairman of the Board)

Date May 11, 2000 /S/David D. Lung

David D. Lung
(President)

Date May 11, 2000 /S/Keith V. Kankel

Keith V. Kankel
(Vice President Finance)
(Principal Accounting Officer)

## FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT, dated as of January 28, 2000 (this "Amendment"), is between PATRICK INDUSTRIES, INC., an Indiana corporation (the "Company"), and BANK ONE, INDIANA, N.A., a national banking association, formerly known as NBD Bank (the "Bank").

## RECITALS

A. The Company and the Bank are parties to a Credit Agreement dated as of February 2, 1997 (as now and hereafter amended, the "Credit Agreement") pursuant to which the Bank agreed, subject to the terms and conditions thereof, to extend credit to the Company in a revolving credit facility in the amount of $10,000,000.

B. The parties now desire to renew the revolving credit facility and to amend certain terms and provisions of the Credit Agreement as set forth herein.

## TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties agree as follows:

ARTICLE I. AMENDMENTS. Effective upon the date that the conditions set forth in Article III of this Amendment are satisfied (the "Amendment Date"), which date shall be determined by the Bank in its sole discretion, the Credit Agreement shall be amended as follows:

1.1 The definitions of the terms "Bonds" and "Revolving Credit Termination Date" in Section 1.1 are amended and restated in their entirety as follows:

> "Bonds" shall mean (i) the Five Million Dollars ($5,000,000) principal amount The Stanly County Industrial Facilities And Pollution Control Financing Authority Variable Rate Demand Industrial Development Revenue Bonds (Patrick Industries, Inc. Project), Series 1998, (ii) the Six Million Dollars ($6,000,000) principal amount State of Oregon Economic Development Revenue Bonds, Series CLI (Patrick Industries, Inc. Project), dated December 22, 1994, (iii) the Three Million Nine Hundred Thousand Dollars ($3,900,000) principal amount The Indiana Development Finance Authority Limited Obligation Refunding Revenue Bonds (Patrick Industries, Inc. Project), Series 1991, and (iv) all other obligations of the Company or any of its Subsidiaries to the Bank under or in connection with any future bond issuance for the benefit of the Company or any of its Subsidiaries.
>
> "Revolving Credit Termination Date" shall mean the earlier to occur of (a) January 28, 2003 and (b) the date on which the Commitment shall be terminated pursuant to Section 2.2 or Section 6.2.

1.2 The following definition of the term "Amendment Fee" is added to Section 1.1 in alphabetical order:

> "Amendment Fee" shall mean the fee payable in connection with the First Amendment to Credit Agreement, dated as of January 28, 2000 (the "First Amendment") on the Amendment Date as defined in the First Amendment in the amount of $12,500.

1.3 Section 5.2(c) shall be amended and restated as follows:

> (c) Tangible Net Worth. Permit or suffer the consolidated Tangible Net Worth of the Company and its Subsidiaries to be less than $57,000,000 at any time, which amount shall be increased by an amount equal to (i) 50% of the Cumulative Net Income of the Company and its Subsidiaries on and after December 31, 1998, and (ii) 100% of the net cash proceeds of any stock issuance by the Company after the Effective Date.

1.4 The following subsection (c) is added to the end of Section 2.3 as follows:

> (c) In addition to the commitment fees payable pursuant to Section 2.3(a) and the facility fee payable pursuant to Section 2.3(b), the Company agrees to pay to the Bank on the Amendment Date an Amendment Fee of $12,500.

1.5 Exhibit A annexed to the Credit Agreement is deleted in its entirety and Exhibit A annexed to this Amendment shall be deemed substituted in place thereof. The Company shall execute and deliver to the Bank a replacement revolving credit note in the form of Exhibit A annexed to this Amendment (the "Replacement Revolving Credit Note") to be exchanged for the existing Revolving Credit Note issued by the Company to the Bank under the Credit Agreement (the "Existing Revolving Credit Note"). On the Amendment Date, the principal balance of the Existing Revolving Credit Note, as well as all other information which has been endorsed on the schedule attached to the Existing Revolving Credit Note or elsewhere on the books and records of the Bank with respect to the Existing Revolving Credit Note, shall be endorsed on the schedule attached to the Replacement Revolving Credit Note or elsewhere on the books and records of the Bank with respect to the Replacement Revolving Credit Note. The execution and delivery by the Company of the Replacement Revolving Credit Note shall not in any circumstances be deemed a novation or to have terminated, extinguished or discharged the Company's indebtedness evidenced by the Existing Revolving Credit Note, all of which indebtedness shall continue under and be evidenced and governed by the Replacement Revolving Credit Note and the Credit Agreement, as amended, and, subject to Article III of this Amendment, the Bank shall be entitled to all of the benefits of the security documents with respect to the entire indebtedness evidenced by the Replacement Revolving Credit Note.



1.6 Each reference in the Credit Agreement, the Note and all related documents, instruments and agreements to "NBD Bank" shall be deleted and "Bank One, Indiana, N.A." shall be substituted in place thereof.

1.7 Schedules 4.4, 4.5, 4.13, 5.2(e) and 5.2(f) annexed to the Credit Agreement are deleted in their entirety and Schedules 4.4, 4.5, 4.13, 5.2(e) and 5.2(f) annexed to this Amendment shall be deemed substituted in place thereof.

ARTICLE II. REPRESENTATIONS. The Company represents and warrants to the Bank that:

2.1 The execution, delivery and performance of this Amendment are within its powers, have been duly authorized and are not in contravention with any law, of the terms of its Articles of Incorporation or By-laws, or any material undertaking to which it is a party or by which it is bound.

2.2 This Amendment is the legal, valid and binding obligation of the Company enforceable against it in accordance with the respective terms hereof.

2.3 After giving effect to the amendments herein contained, the representations and warranties contained in Article IV of the Credit Agreement are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof, provided, that, the representations and warranties contained in Section 4.6 of the Credit Agreement shall be deemed to have been made with respect to the financial statements most recently delivered pursuant to Section 5.1(d) of the Credit Agreement.

2.4 No Event of Default or event or condition which, with notice or lapse of time or both, could become such an Event of Default exists or has occurred and is continuing on the date hereof.

ARTICLE III. CONDITIONS OF EFFECTIVENESS. This Amendment shall not become effective until each of the following has been satisfied:

3.1 Copies of resolutions adopted by the Board of Directors of the Company, certified by an officer of the Company, as being true and correct and in full force and effect without amendment as of the date hereof, authorizing the Company to enter into this Amendment and any other documents or agreements executed pursuant hereto, if any, shall have been delivered to the Bank.

3.2 This Amendment shall be signed by the Company and the Bank.

3.3 The Company shall have executed the Revolving Credit Note annexed to this Amendment as Exhibit A.

3.4 The Bank shall receive a favorable written opinion of Warrick & Boyn, counsel for the Company, in a form reasonable satisfactory to the Bank.

3.5 The Company shall have paid the Amendment Fee and the fees of counsel to the Bank.

3.6 The Bank shall receive such other documents and the Company shall satisfy such other conditions and complete such other matters as the Bank may reasonable request.

ARTICLE IV. MISCELLANEOUS.

4.1 References in the Credit Agreement to "this Agreement" and references in any note, certificate, instrument or other document to the "Credit Agreement" shall be deemed to be references to the Credit Agreement as amended hereby and as further amended from time to time.

4.2 The Company agrees to pay and to save the Bank harmless for the payment of all costs and expenses arising in connection with this Amendment, including the reasonable fees of counsel to the Bank in connection with preparing this Amendment and the related documents.

4.3 The Company acknowledges and agrees that the Bank has fully performed all of its obligations under all documents executed in connection with the Credit Agreement and all actions taken by the Bank are reasonable and appropriate under the circumstances and within its rights under the Credit Agreement and all other documents executed in connection therewith and otherwise available. The Company represents and warrants that it is not aware of any claims or causes of action against the Bank, or any of its successors or assigns. Notwithstanding this representation and as further consideration for the agreements and understandings herein, the Company and its heirs, successors and assigns, hereby release the Bank and its heirs, successors and assigns from any liability, claim, right or cause of action which now exists, arising from or in any way related to facts in existence as of the date hereof to any agreements or transactions between the Bank and the Company or to any acts or omissions of the Bank in connection therewith or otherwise.

4.4 Except as expressly amended hereby, the Company agrees that the Credit Agreement, the promissory note and all other documents and agreements executed by the Company in connection with the Credit Agreement in favor of the Bank are ratified and confirmed and shall remain in full force and effect and that it has no set off, counterclaim or defense with respect to any of the foregoing. Terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.

4.5 This Amendment shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the State of Indiana applicable to contracts made and to be performed entirely within such State, without regard to the choice of law principles of such State.

4.6 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

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IN WITNESS WHEREOF, the parties signing this Amendment have caused this Amendment to be executed and delivered as of the date first above written.

PATRICK INDUSTRIES, INC.

/S/Keith V. Kankel

By: Keith V. Kankel
Its: Vice President - Finance

BANK ONE, INDIANA, N.A.

/S/Donald E. Hobik

By: Donald E. Hobik
Its: Vice President

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