

BlueLinx Holdings Inc.
Form DEF 14A
April 18, 2017

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
 Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material under §240.14a-12

BlueLinx
Holdings
Inc.
(Name of
Registrant
as
Specified
In Its
Charter)

N/A
(Name of
Person(s)
Filing
Proxy
Statement,
if other
than the
Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

BlueLinx Holdings Inc.
4300 Wildwood Parkway
Atlanta, Georgia 30339
April 18, 2017

Dear Stockholder:

I am pleased to invite you to the 2017 Annual Meeting of Stockholders of BlueLinx Holdings Inc. The meeting will be held at our headquarters at 4300 Wildwood Parkway, Atlanta, Georgia 30339 on Thursday, May 18, 2017, at 11:00 a.m. Eastern Time. The matters to be voted upon at the meeting are listed in the accompanying notice of the Annual Meeting, and are described in more detail in the accompanying proxy statement and proxy card. Whether or not you plan to attend the Annual Meeting, please complete, date, sign, and mail promptly the enclosed proxy card in the envelope provided to ensure that your vote will be counted. If you attend the meeting, you will, of course, have the right to revoke the proxy and vote your shares in person.

On behalf of the Board of Directors, management, and associates of BlueLinx, I extend our appreciation for your continued support and look forward to meeting with you.

Very truly yours,
Mitchell B. Lewis
President and Chief Executive Officer

BLUELINX HOLDINGS INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Stockholders of BlueLinx Holdings Inc. will be held at our headquarters at 4300 Wildwood Parkway, Atlanta, Georgia 30339 on Thursday, May 18, 2017, at 11:00 a.m. Eastern Time, for the following purposes:

1. to elect six directors to hold office until the 2018 annual meeting of stockholders, or until their successors are duly elected and qualified;
2. to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for our current fiscal year ending December 30, 2017, which we refer to as “fiscal 2017;”
3. to hold a non-binding, advisory vote to approve the executive compensation described in this Proxy Statement;
4. to conduct a non-binding, advisory vote on the frequency of future advisory votes on executive compensation;
5. to approve the BlueLinx Holdings Inc. 2017 Amended and Restated Short-Term Incentive Plan; and
6. to transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

Stockholders of record at the close of business on April 12, 2017, will be entitled to notice of and to vote at the meeting or any postponements or adjournments of the meeting.

The Board of Directors recommends voting FOR its nominees for director and FOR proposals 2, 3, and 5. The Board of Directors recommends a vote in favor of a frequency of ONE YEAR in proposal 4.

Whether or not you expect to be present in person at the meeting, please sign and date the accompanying proxy and return it promptly in the enclosed postage-paid reply envelope. This will assist us in preparing for the meeting.

By Order of the Board of Directors,
Shyam K. Reddy
Senior Vice President, General Counsel and Secretary

April 18, 2017
Atlanta, Georgia

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON THURSDAY, MAY 18, 2017

BlueLinx Holdings Inc. is providing access to its proxy materials both by sending you this full set of proxy materials and by notifying you of the availability of its proxy materials on the Internet.

You may access the following proxy materials as of the date they are first mailed to our stockholders by visiting www.proxyvote.com:

- Notice of 2017 Annual Meeting of Stockholders to be held on Thursday, May 18, 2017;
- Proxy Statement for 2017 Annual Meeting of Stockholders to be held on Thursday, May 18, 2017; and
- Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

These proxy materials are available free of charge and will remain available through the conclusion of the 2017 Annual Meeting of Stockholders. In accordance with SEC rules, the proxy materials on the site are searchable, readable, and printable; and the site does not have “cookies” or other tracking devices which identify visitors.

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The enclosed proxy is being solicited by the Board of Directors of BlueLinx Holdings Inc. (“BlueLinx,” “us,” “we,” “our,” or the “Company”) for the 2017 Annual Meeting of Stockholders or any postponement or adjournment of the meeting, for the purposes set forth in the accompanying “Notice of Annual Meeting of Stockholders.” References in this Proxy Statement to 2017 or fiscal 2017 refer to our current fiscal year, ending December 30, 2017. References to 2016 or fiscal 2016 refer to the fiscal year ended December 31, 2016. References to 2015 or fiscal 2015 refer to the fiscal year ended January 2, 2016. References to 2014 or fiscal 2014 refer to the fiscal year ended January 3, 2015. All fiscal years presented comprise a 52-week year.

Copies of this proxy statement, the form of proxy and the annual report will first be mailed to stockholders on or about April 18, 2017. The proxy statement and annual report are also available on the investor relations page of our website at www.BlueLinxCo.com and at www.proxyvote.com.

Attending the Annual Meeting

The Annual Meeting will be held at our headquarters at 4300 Wildwood Parkway, Atlanta, Georgia 30339, on Thursday, May 18, 2017, at 11:00 a.m. Eastern Time. For directions to the meeting please contact our investor relations department at 770-953-7000. Holders of our common stock as of the close of business on April 12, 2017, will be entitled to attend and vote at the meeting.

BLUELINX HOLDINGS INC.

4300 Wildwood Parkway
Atlanta, Georgia 30339
770-953-7000

GENERAL INFORMATION

Why did I receive this proxy statement?

This proxy statement is furnished in connection with the solicitation of proxies on behalf of our Board of Directors (the "Board") to be voted at the annual meeting of our stockholders to be held on May 18, 2017, and any adjournment or postponement thereof, for the purposes set forth in the accompanying "Notice of Annual Meeting of Stockholders." The meeting will be held at our headquarters, 4300 Wildwood Parkway, Atlanta, Georgia 30339, on Thursday, May 18, 2017, at 11:00 a.m. Eastern Time. This proxy statement and accompanying proxy card are being first sent or given to our stockholders on or about April 18, 2017. Our Form 10-K for the fiscal year ended December 31, 2016, accompanies this proxy statement, as part of our 2016 Annual Report.

Who is soliciting my vote?

Our Board is soliciting your vote at the 2017 Annual Meeting of Stockholders of BlueLinx Holdings Inc.

Who is entitled to vote?

Only our stockholders of record at the close of business on April 12, 2017, the "Record Date," are entitled to receive notice of the meeting, attend the meeting and to vote the shares of our common stock that they held on that date at the meeting, or any adjournment thereof. Each outstanding share that you own as of the Record Date entitles you to cast one vote on each matter to be voted upon.

Who can attend the meeting?

All stockholders of record as of the close of business on the Record Date, or their duly appointed proxies, may attend the meeting. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport.

Please note that if you hold your shares in "street name" (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the Record Date. If you are a stockholder of record, your name will appear on our stockholder list.

What will I vote on?

Five items:

- the election of six directors to our Board;
- the ratification of BDO USA, LLP as our independent registered public accounting

firm for our current fiscal year, which we refer to as "fiscal 2017;"

- a non-binding, advisory, vote to approve the executive compensation described in this Proxy Statement;
- a non-binding, advisory, vote on the frequency of future advisory votes on executive compensation; and
- the approval of the BlueLinx Holdings Inc. 2017 Amended and Restated Short-Term Incentive Program.

Will there be any other items of business on the agenda?

We do not expect any other items of business at the meeting. Nonetheless, if an unforeseen matter is raised, your proxy will give discretionary authority to the persons named on the proxy to vote on any other matters that may be brought before the meeting. These persons will use their best judgment in voting your proxy.

How many votes must be present to conduct business at the meeting?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock outstanding on the Record Date will constitute a quorum, permitting business to be conducted at the meeting. As of the Record Date, we had 9,070,317 shares of common stock outstanding. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received

instructions from the beneficial owner.

How do I vote?

If you complete and properly sign the accompanying proxy card and return it to us, it will be voted as you direct. If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. “Street name” stockholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

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Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing either a notice of revocation or a duly executed proxy bearing a later date with our Corporate Secretary, at our principal executive offices, BlueLinx Holdings Inc., attn: Corporate Secretary, 4300 Wildwood Parkway, Atlanta, Georgia 30339. The powers of the proxy holder(s) will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

What are the recommendations of our Board of Directors?

Our Board recommends a vote FOR the election of the nominated slate of directors, FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for fiscal 2017, FOR the approval, on a non-binding, advisory basis, of the executive compensation described in this Proxy Statement, to conduct future advisory votes on executive compensation EVERY YEAR, and FOR the approval of the Company's 2017 Amended and Restated Short-Term Incentive Plan.

What vote is required to approve each item?

Election of Directors. A nominee will be elected as a director if he receives a plurality of the votes cast at the meeting. "Plurality" means that the nominees receiving the largest number of votes cast are elected as directors up to the maximum number of directors to be chosen at the meeting. In other words, the six director nominees receiving the most votes will be elected. Broker non-votes or marking your proxy card to withhold authority for all or some nominees will have no effect on the election of directors.

Ratification of Independent Registered Public Accounting Firm. The affirmative vote of the holders of a majority of the shares present or represented by proxy and entitled to vote is required to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for fiscal 2017. As a result, abstentions will have the effect of a vote "against" the proposal; however, broker non-votes will have no effect on this proposal. If our stockholders fail to ratify the selection, the Audit Committee may, but is not required to, reconsider whether to retain that firm. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent auditing firm at any time during the fiscal year if it determines that such a change would be in our best interests and that of our stockholders.

Approval on a non-binding, advisory basis of the compensation of the Company's named executive officers. Adoption of a resolution approving, on a non-binding, advisory basis, the compensation of the

Company's named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables, and narrative discussion of this proxy statement, requires the affirmative vote of the holders of a majority of the shares present or represented by proxy and entitled to vote. As a result, abstentions will have the effect of a vote "against" the proposal; however, broker non-votes will have no effect on this proposal.

Approval on a non-binding, advisory basis of the frequency that stockholders will vote on compensation of the Company's named executive officers. With respect to the frequency of future non-binding, advisory votes on the compensation of the Company's named executive officers, approval of a frequency requires votes for that frequency from a majority of the votes cast on the matter at the Annual Meeting. Because stockholders have four choices (one year, two years, three years or abstain) on the advisory approval of a frequency of future advisory votes on the compensation of the Company's named executive officers, it is possible that no frequency will receive a majority vote. If no frequency receives the affirmative vote of a majority of the votes cast, our Board intends to regard the frequency receiving the greatest number of votes as the recommendation of our stockholders. Abstentions and broker non-votes will not have any effect on the matter. The Board and the Compensation Committee will consider the outcome of the vote when making its determination regarding how frequently (every one, two or three years) over the next six years the advisory votes on the compensation of the Company's named executive officers will be held, after which period another frequency vote will be held.

Approval of the BlueLinx Holdings Inc. 2017 Amended and Restated Short-Term Incentive Plan. Approval of the BlueLinx Holdings Inc. 2017 Amended and Restated Short-Term Incentive Plan requires the affirmative vote of the holders of a majority of the shares present or represented by proxy and entitled to vote. As a result, abstentions will have the effect of a vote "against" the proposal; however, broker non-votes will have no effect on this proposal.

What if I don't vote for some or all of the matters listed on my proxy card?

If you are a registered stockholder and you return a signed proxy card without indicating your vote for some or all of the matters, your shares will be voted as follows for any matter you did not indicate a vote on:

• **FOR** the director nominees to the Board listed on the proxy card;

• **FOR** the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for fiscal 2017;

• **FOR** the approval of the executive compensation described in this Proxy Statement;

• **FOR** a frequency of ONE YEAR with respect to the frequency that stockholders will vote on our executive compensation;

• **FOR** the approval of the BlueLinx Holdings Inc. 2017 Amended and Restated Short-Term Incentive Plan.

How will proxies be solicited?

Proxies will be solicited by mail. Proxies may also be solicited by our officers and regular employees personally or by telephone or facsimile, but such persons will not be specifically compensated for such services. Banks, brokers, nominees, and other custodians and fiduciaries will be reimbursed for their reasonable out-of-pocket expenses in forwarding soliciting material to their principals, the beneficial owners of our common stock. We will pay the expense of preparing, assembling, printing, mailing, and soliciting proxies.

Is there electronic access to the proxy materials and annual report?

Yes. The materials will be available, as of the date they were first mailed to our stockholders, by visiting www.proxyvote.com. In addition, this proxy statement and our Annual Report on Form 10-K are available on our website at www.BlueLinxCo.com.

ITEMS OF BUSINESS TO BE ACTED ON AT THE MEETING

PROPOSAL 1:
ELECTION OF DIRECTORS

Our Board is currently authorized to consist of nine members and we currently have seven members, each with terms expiring at the 2017 Annual Meeting of Stockholders. Our Board, based on the recommendation of our Nominating and Governance Committee, nominated six candidates for election at the 2017 Annual Meeting of Stockholders. Accordingly, we will have three vacancies on our Board following the 2017 Annual Meeting of Stockholders. Messrs. Grant and Warner have decided to retire as directors of the Company when their current term expires at the 2017 Annual Meeting of Stockholders, and accordingly, have chosen not to stand for re-election at the 2017 Annual Meeting of Stockholders. Pursuant to the Company's Bylaws, the Board has nominated the six persons listed below for election as directors of the Company at the 2017 Annual Meeting of Stockholders to comprise our entire Board. Our Nominating and Governance Committee has engaged a third party search firm to seek qualified candidates to fill one vacancy on our Board. Our Nominating and Governance Committee does not intend at this time to seek qualified candidates to fill the remaining two vacancies on our Board. At the 2017 Annual Meeting of Stockholders, proxies cannot be voted for a greater number of individuals than the six nominees named in this Proxy Statement. Mr. J. David Smith has been nominated for election and has consented to stand for election. Mr. J. David Smith was initially identified as a potential director by the Chief Executive Officer of the Company. Each of the other nominees listed below has been nominated for re-election and has consented to stand for re-election. The terms of all of the members of our Board will expire at the next annual meeting after their election, or when their successors are elected and appointed. If you do not wish your shares of common stock to be voted for particular nominees, you may so indicate on the enclosed proxy card. If, for any reason, any of the nominees become unavailable for election, the individuals named in the enclosed proxy card may exercise their discretion to vote for any substitutes proposed by the Board. At this time, the Board knows of no reason why any nominee might be unavailable to serve.

Our Board unanimously recommends a vote FOR each of the following nominees:

- Dominic DiNapoli
- Kim S. Fennebresque
- Mitchell B. Lewis
- Steven F. Mayer
- Alan H. Schumacher
- J. David Smith

Biographical and other information about these nominees can be found under "Identification of Executive Officers and Directors" elsewhere in this proxy statement.

PROPOSAL 2:

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board has selected BDO USA, LLP to serve as our independent registered public accounting firm for fiscal 2017. BDO USA, LLP has served as our independent registered public accounting firm since April 8, 2015.

While stockholder ratification of the selection of BDO USA, LLP as our independent registered public accounting firm is not required by our Bylaws or otherwise, our Board is submitting the selection of BDO USA, LLP to our stockholders for ratification. If our stockholders fail to ratify the selection, the Audit Committee may, but is not required to, reconsider whether to retain that firm. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent auditing firm at any time during the fiscal year if it determines that such a change would be in our best interests and that of our stockholders.

BDO USA, LLP has advised us that it has no direct, nor any material indirect, financial interest in us or any of our subsidiaries. We expect that representatives of BDO USA, LLP will be present at the meeting to make any statement they may desire and to respond to appropriate questions from our stockholders.

Fees Paid To Independent Registered Public Accounting Firm

The following table presents the aggregate fees billed by BDO USA, LLP for professional services for fiscal 2016 and fiscal 2015, respectively, by category as described in the notes to the table:

	2016	2015
Audit Fees ⁽¹⁾	\$970,852	\$858,696
All Other Fees ⁽²⁾	—	—
TOTAL ⁽³⁾	\$970,852	\$858,696

⁽¹⁾ Consists of fees related to audits of our consolidated financial statements, reviews of interim financial statements, and disclosures in filings with the Securities and Exchange Commission (“SEC”). Audit fees also included fees related to the audit of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

⁽²⁾ Consist of fees for permitted services other than those that meet the criteria above.

⁽³⁾ There were no Audit-Related Fees, fees for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under “Audit Fees” in fiscal 2016 and fiscal 2015. There were no Tax Fees, fees for professional services provided for the review of tax returns prepared by the company; assistance with international tax compliance; or assistance related to the tax impact of proposed and completed transactions in fiscal 2016 and fiscal 2015.

Pre-Approval of Audit and Non-Audit Services

The charter of the Audit Committee provides that the Audit Committee is responsible for the pre-approval of all material audit services and non-audit services to be performed for us by our independent registered public accounting firm. All audit and non-audit work described above was pre-approved by the Audit Committee. The Audit Committee may delegate to one or more of its members the authority to grant such pre-approvals. The decisions of any such member shall be presented to the full Audit Committee at each of its scheduled meetings.

Our Board recommends a vote FOR the ratification of BDO USA, LLP as our independent registered public accounting firm for fiscal 2017.

**PROPOSAL 3:
NON-BINDING, ADVISORY VOTE TO APPROVE THE
COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

As required pursuant to Section 14A of the Exchange Act, we seek a non-binding, advisory vote from our stockholders to approve the compensation of our executives as described under “Compensation Discussion and Analysis” (“CD&A”) and the tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure) in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on our executive compensation. Because your vote is advisory, it will not be binding on the Board. However, the Compensation Committee will take into account the outcome of the vote when making future executive compensation decisions. At our 2011 Annual Meeting, our stockholders voted to hold a stockholder advisory vote to approve the compensation of the Company’s named executive officers annually. Accordingly, we presently intend to hold annual say-on-pay votes. At our 2016 Annual Meeting of Stockholders, our stockholders approved our say-on-pay proposal, with over 97 percent of the votes cast approving the 2015 executive compensation described in our 2016 proxy statement. Based on this strong support from our stockholders, we believe our compensation programs are effectively designed and continue to be aligned with the interests of our stockholders.

As discussed below in our Compensation Discussion & Analysis, our primary goal is to establish a compensation program that serves the long-term interests of the Company and our stockholders by aligning management’s interests with that of our stockholders through equity ownership and by promoting the attainment of certain individual and corporate goals. In addition, our compensation program is designed to attract and retain top quality executives with the qualifications necessary for the long-term financial success of the Company. Key elements of our compensation philosophy include:

• Compensation decisions are driven by a pay-for-performance philosophy, which takes into account performance by both the Company and the individual;

• Performance is determined with reference to pre-established goals, both with respect to the Company and the individual, which we believe enhances the individual executive’s performance;

• Where possible, a significant component of total direct compensation should consist of variable compensation;

• Total compensation opportunity should be comparable to the median ranges in the marketplace within which we compete; and

• Increased compensation can be earned through an individual’s increased contribution to the Company.

The Committee has and will continue to take action to structure our executive compensation practices in a manner that is performance-based with a view towards serving the long-term interests of the Company and our stockholders. The Board believes that the executive compensation as described in this proxy statement aligns with our compensation philosophy.

Our Board recommends a vote FOR the following non-binding, advisory resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion & Analysis, the compensation tables and narrative discussion, is hereby approved.”

PROPOSAL 4:

ADVISORY VOTE ON THE FREQUENCY OF FUTURE NON-BINDING, ADVISORY VOTES ON EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Exchange Act, we are asking stockholders to vote on whether future non-binding, advisory votes on executive compensation of the nature reflected in Proposal 3 should occur every year, every two years, or every three years. The Company has held annual say-on-pay votes since 2011.

While the Company's executive compensation programs are designed to promote a long-term connection between pay and performance, the Board recognizes that executive compensation disclosures are made annually. Holding an annual advisory vote on executive compensation provides the Company with more direct and immediate feedback on our compensation disclosures. However, stockholders should note that because the non-binding, advisory vote on executive compensation occurs well after the beginning of the compensation year, and because the different elements of our executive compensation programs are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to change our executive compensation programs in consideration of any one year's non-binding, advisory vote on executive compensation by the time of the following year's annual meeting of stockholders. We believe that an annual non-binding, advisory vote on executive compensation is consistent with our practice of seeking input and engaging in dialogue with our stockholders on corporate governance matters (including the Company's practice of having all directors elected annually and annually providing stockholders the opportunity to ratify the Audit Committee's selection of independent auditors) and our executive compensation philosophy, policies and practices.

This non-binding, advisory vote on the frequency of future non-binding, advisory votes on executive compensation is non-binding on the Board of Directors. Stockholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. Stockholders are not voting to approve or disapprove the Board's recommendation. Although non-binding, the Board and the Compensation Committee will carefully review the voting results. Notwithstanding the Board's recommendation and the outcome of the stockholder vote, the Board may in the future decide to conduct non-binding, advisory votes on a more or less frequent basis and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors recommends a vote to conduct future advisory votes on the compensation of our named executive officers EVERY YEAR.

PROPOSAL 5:

APPROVAL OF THE BLUELINX HOLDINGS INC. 2017 AMENDED AND RESTATED SHORT-TERM INCENTIVE PLAN

On March 8, 2017, the Compensation Committee approved the BlueLinx Holdings Inc. 2017 Amended and Restated Short-Term Incentive Plan (as Amended and Restated Effective January 1, 2017 (the “2017 STIP”). The 2017 STIP amends and restates in its entirety the BlueLinx Holdings Inc. Short-Term Incentive Plan (the “Prior Plan”), as previously amended and restated.

In general, Section 162(m) of the Code provides that a publicly held corporation may not deduct for federal income tax purposes, with respect to any tax year of the corporation, compensation paid to certain executives for such tax year to the extent such compensation exceeds \$1,000,000 unless (i) such compensation is based on, and paid solely on the account of achievement of, certain pre-established objective performance goals, which are established by two or more “outside directors” and based on business criteria set forth in the plan or the requirements set forth in the plan and the awards are met, and (ii) the plan’s terms are disclosed to and approved by the corporation’s stockholders. The Board is requesting stockholder approval of the STIP in order for the Company to have the ability to structure incentive compensation to avoid having the \$1 million deduction limit of Section 162(m) of the Code applied to certain parts of awards to be granted under the 2017 STIP.

For the foregoing reasons, the Board is asking the stockholders of the Company for, and recommends, the approval of the 2017 STIP.

The principal terms of the 2017 STIP are described below. The full text of the 2017 STIP is set forth in Appendix “A” of this Proxy Statement and the following discussion is qualified in its entirety by reference to such text.

Purpose of Plan The purpose of the 2017 STIP, as proposed by this Proposal 5, is to permit the Company, through awards of annual bonuses, to reinforce the importance of teamwork for corporate success and to motivate employees to achieve maximum profitability and success of the Company.

Administration The 2017 STIP will be administered by the Board’s Compensation Committee. Subject to the limits and terms of the plan, the Committee will (i) interpret the 2017 STIP, (ii) establish rules and regulations relating to the operation of the 2017 STIP, (iii) determine the amount of any bonuses, (iv) appoint certain employees to act on its behalf as its representatives (except that such delegation is not permitted with respect to any bonuses that are intended to constitute performance-based compensation exempt from the \$1 million deduction limit of Section 162(m) of the Code), and (v) make all other determinations and take all other actions necessary or appropriate for the proper administration of the 2017 STIP. Determinations under the 2017 STIP with respect to the Company’s Chief Executive Officer and other executive officers for any bonuses that are intended to constitute performance-based compensation exempt from the \$1 million deduction limit of Section 162(m) of the Code will be made by a sub-committee of the Committee which will consist of two or more persons, all of whom shall be “outside directors” within the meaning of Section 162(m) of the Code.

Employees To Whom Awards May Be Granted Awards may be granted under the 2017 STIP to full-time, salaried employees of the Company. As of April 12, 2017, the Company had approximately 115 salaried employees eligible to participate under the Plan.

Awards Not later than 90 days after the beginning of each fiscal year (and before the lapse of 25% of the period of service to which the performance goals relate), the Compensation Committee will establish performance goals for the year. The performance goals are the specific targets and objectives set by the Compensation Committee for any of the following performance measures: (a) Net earnings or net income (before or after taxes, depreciation and amortization); (b) Earnings per share; (c) Net sales or revenues or growth in net sales or revenues; (d) Net operating profit; (e) Return measures (including, but not limited to, return (net or gross) on assets, capital, working capital, inventory, equity, sales, or revenue); (f) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow returns on investment); (g) Earnings measures (including, but not limited to, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and/or amortization (EBITDA), earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs (EBITDAR), or adjusted EBIT, EBITDA, or EBITDAR); (h) Gross or operating margins; (i) Productivity measures or ratios; (j) Share price (including, but not

limited to, growth measures and total shareholder return); (k) Expense target; (l) Margins; (m) Operating efficiency; (n) Market share; (o) Customer satisfaction; (p) Working capital targets; (q) Debt, debt/capital ratio, debt to equity ratio, or debt reduction; and (r) Economic value added or EVA® (net operating profits after tax minus the sum of capital multiplied by the cost of capital).

The performance goals must be (i) objectively determinable and established in writing within the time period described above, (ii) uncertain of achievement at the time they are established, (iii) such that their achievement is determinable by a third party with knowledge of the relevant facts, and (iv) for the Chief Executive Officer and the other executive officers, for any bonuses that are intended to constitute performance-based compensation exempt from the \$1 million deduction limit of

Section 162(m) of the Code, otherwise consistent with the requirements for performance-based compensation. The performance goals may be measured on a Company, subsidiary, affiliate, division, business unit, service line, segment or geographic basis or any combination thereof. The performance goals may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group of entities or published or special indexes or other external measures and may include or exclude any extraordinary or non-recurring items. The performance goals may, but need not be, based upon an increase or positive result under any of the foregoing criteria and could include, for example and not by way of limitation, maintaining the status quo or limiting the economic losses (measured, in each case, by reference to the specific criteria). The performance goals for any bonuses that are intended to constitute performance-based compensation exempt from the \$1 million deduction limit of Section 162(m) of the Code may not include solely the mere continued employment of the participant. However, any bonus under the STIP may become payable contingent on the participant's continuing employment, or employment as of the time the bonus becomes payable, in addition to the achievement of performance goals.

The bonus targets may be described as a percentage of the participants' base salary at the time the performance goal is established, and may be expressed as a range of outcomes, such as "threshold," "target" and "maximum," based on the level of achievement of the performance goals.

The Company funds bonuses under the 2017 STIP out of a bonus pool, which is calculated in accordance with a formula specified in the 2017 STIP. The bonus pool consists of both a discretionary component and a non-discretionary component. Not later than the required time described above, the Compensation Committee will determine the percentage of the bonus pool to be allocated to each of the discretionary component and the non-discretionary component. The Compensation Committee, or the Compensation Committee's delegates, will determine the amount of the discretionary component of the bonus pool, if any, to award each participant (other than the Chief Executive Officer and any other executive officer) after reviewing his or her individual performance and contribution to the Company. The amount of the discretionary component of the bonus pool awarded to the Chief Executive Officer or any other executive officer will be equal to the participant's funding amount, which is a set amount, determined by an established formula, based on achievement of the respective performance goals (the "Participant Funding Amount"), which amount then will be subject to adjustment (but not increases for any bonuses that are intended to constitute qualified performance-based compensation exempt from the \$1 million deduction limit of Section 162(m) of the Code) by the Compensation Committee, after reviewing his or her individual performance and contribution to the Company. The Compensation Committee retains the discretion to reduce (but not increase) the amount of any discretionary component otherwise awarded to the Chief Executive Officer or any other executive officer that is intended to constitute qualified performance-based compensation exempt from the \$1 million deduction limit of Section 162(m) of the Code (including a reduction in such amount to zero). The non-discretionary component of the bonus pool for a fiscal year equals the total bonus pool multiplied by the percentage of the bonus pool allocated by the Compensation Committee to the non-discretionary component for the fiscal year. The non-discretionary component of the bonus pool is allocated among participants in an amount equal to his or her Participant Funding Amount multiplied by the Non-Discretionary Allocation Percentage. Notwithstanding the foregoing, in the event that the Compensation Committee determines that a participant's performance warr