

GIBRALTAR INDUSTRIES, INC.

Form 10-Q

November 09, 2007

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**FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

(Mark one)

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

For the quarterly period ended September 30, 2007

**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 0-22462**

**Gibraltar Industries, Inc.**

(Exact name of Registrant as specified in its charter)

Delaware

16-1445150

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

3556 Lake Shore Road, P.O. Box 2028, Buffalo, New York 14219-0228

(Address of principal executive offices)

(716) 826-6500

(Registrant's telephone number, including area code)

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  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of November 5, 2007, the number of common shares outstanding was: 29,886,262.

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

GIBRALTAR INDUSTRIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

|   | September<br>30,<br>2007<br>(unaudited) | December<br>31,<br>2006 |
|---|---|-------------------------|
| Assets  |   |                         |
| Current assets:   |   |                         |
| Cash and cash equivalents   | \$ 32,725                               | \$ 13,475               |
| Accounts receivable, net  | 209,481                                 | 163,731                 |
| Inventories   | 229,133                                 | 220,119                 |
| Other current assets  | 20,101                                  | 18,099                  |
| Assets of discontinued operations   | 23,642                                  | 40,356                  |
| Total current assets  | 515,082                                 | 455,780                 |
| Property, plant and equipment, net  | 260,553                                 | 233,249                 |
| Goodwill  | 501,034                                 | 366,763                 |
| Acquired intangibles  | 60,504                                  | 62,366                  |
| Investments in partnership  | 2,616                                   | 2,440                   |
| Other assets  | 14,588                                  | 14,307                  |
| Assets of discontinued operations   |   | 17,963                  |
|   | \$ 1,354,377                            | \$ 1,152,868            |
| Liabilities and Shareholders' Equity  |   |                         |
| Current liabilities:  |   |                         |
| Accounts payable  | \$ 92,949                               | \$ 69,040               |
| Accrued expenses  | 48,932                                  | 50,279                  |
| Current maturities of long-term debt  | 2,964                                   | 2,336                   |
| Liabilities of discontinued operations  | 2,555                                   | 2,760                   |
| Total current liabilities   | 147,400                                 | 124,415                 |
| Long-term debt  | 550,670                                 | 398,217                 |
| Deferred income taxes   | 72,512                                  | 70,981                  |
| Other non-current liabilities   | 14,837                                  | 9,027                   |
| Shareholders' equity:   |   |                         |
| Preferred stock, \$.01 par value; authorized 10,000,000 shares; none outstanding  |   |                         |
| Common stock, \$.01 par value; authorized 50,000,000 shares; issued 29,949,229 and 29,883,795 shares in 2007 and 2006, respectively | 300                                     | 299                     |

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|   |              |              |
|---|--------------|--------------|
| Additional paid-in capital  | 218,122      | 215,944      |
| Retained earnings   | 340,749      | 332,920      |
| Accumulated other comprehensive income  | 10,180       | 1,065        |
|   | 569,351      | 550,228      |
| Less: cost of 62,967 and 42,600 common shares held in treasury in 2007 and 2006 | (393)        |              |
| Total shareholders' equity  | 568,958      | 550,228      |
|   | \$ 1,354,377 | \$ 1,152,868 |

See accompanying notes to condensed consolidated financial statements

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GIBRALTAR INDUSTRIES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except per share data)  
(unaudited)

|   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2007                                | 2006       | 2007                               | 2006       |
| Net sales   | \$ 342,570                          | \$ 318,442 | \$ 1,003,116                       | \$ 955,971 |
| Cost of sales   | 278,796                             | 250,224    | 821,539                            | 749,695    |
| Gross profit  | 63,774                              | 68,218     | 181,577                            | 206,276    |
| Selling, general and administrative expense             | 38,409                              | 32,619     | 110,029                            | 107,199    |
| Income from operations                                  | 25,365                              | 35,599     | 71,548                             | 99,077     |
| Other (income) expense:                                 |                                     |            |                                    |            |
| Equity in partnerships loss (income) and other income   | (356)                               | 103        | (1,023)                            | (445)      |
| Interest expense  | 8,372                               | 6,056      | 23,063                             | 19,272     |
| Total other expense                                     | 8,016                               | 6,159      | 22,040                             | 18,827     |
| Income before taxes                                     | 17,349                              | 29,440     | 49,508                             | 80,250     |
| Provision for income taxes                              | 5,982                               | 11,210     | 18,072                             | 30,251     |
| Income from continuing operations                       | 11,367                              | 18,230     | 31,436                             | 49,999     |
| Discontinued operations:                                |                                     |            |                                    |            |
| Income (loss) from discontinued operations before taxes | (18,590)                            | (388)      | (21,733)                           | 9,189      |
| Provision for income taxes                              | (3,679)                             | (154)      | (4,847)                            | 3,482      |
| Income (loss) from discontinued operations              | (14,911)                            | (234)      | (16,886)                           | 5,707      |
| Net income (loss)                                       | \$ (3,544)                          | \$ 17,996  | \$ 14,550                          | \$ 55,706  |
| Net (loss) income per share Basic:                      |                                     |            |                                    |            |
| Income from continuing operations                       | \$ .38                              | \$ .61     | \$ 1.05                            | \$ 1.68    |
| Income (loss) from discontinued operations              | (.50)                               | (.01)      | (.56)                              | .20        |

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|  |          |          |        |         |         |
|--|----------|----------|--------|---------|---------|
| Net income (loss)                          |          | \$ (.12) | \$ .60 | \$ .49  | \$ 1.88 |
| Weighted average shares outstanding        | Basic    | 29,873   | 29,747 | 29,847  | 29,691  |
| Net (loss) income per share                | Diluted: |          |        |         |         |
| Income from continuing operations          |          | \$ .38   | \$ .61 | \$ 1.04 | \$ 1.67 |
| Income (loss) from discontinued operations |          | (.50)    | (.01)  | (.56)   | .19     |
| Net income (loss)                          |          | \$ (.12) | \$ .60 | \$ .48  | \$ 1.86 |
| Weighted average shares outstanding        | Diluted  | 30,147   | 30,040 | 30,103  | 29,993  |

See accompanying notes to condensed consolidated financial statements

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GIBRALTAR INDUSTRIES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

|   | Nine Months Ended<br>September 30, |           |
|---|------------------------------------|-----------|
|   | 2007                               | 2006      |
| Cash flows from operating activities  |                                    |           |
| Net income  | \$ 14,550                          | \$ 55,706 |
| (Loss) income from discontinued operations  | (16,886)                           | 5,707     |
| Income from continuing operations   | 31,436                             | 49,999    |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities:   |                                    |           |
| Depreciation and amortization   | 23,789                             | 19,430    |
| Provision for deferred income taxes   | 797                                |           |
| Equity in partnerships loss (income) and other income   | (778)                              | 400       |
| Distributions from partnerships   | 603                                | 909       |
| Stock compensation expense  | 2,043                              | 2,192     |
| Other noncash adjustments   | 551                                | 782       |
| Increase (decrease) in cash resulting from changes in (net of acquisitions and dispositions): |                                    |           |
| Accounts receivable   | (22,360)                           | (34,213)  |
| Inventories   | 27,701                             | (50,741)  |
| Other current assets and other assets   | 1,463                              | 2,375     |
| Accounts payable  | 13,628                             | 11,254    |
| Accrued expenses and other non-current liabilities  | (2,977)                            | (18,120)  |
| Net cash provided by (used in) continuing operations  | 75,896                             | (15,733)  |
| Net cash provided by (used in) discontinued operations  | 15,955                             | (8,429)   |
| Net cash provided by (used in) provided by operating activities                               | 91,851                             | (24,162)  |
| Cash flows from investing activities  |                                    |           |
| Acquisitions, net of cash acquired  | (203,980)                          | (13,206)  |
| Purchases of property, plant and equipment  | (12,826)                           | (16,943)  |
| Net proceeds from sale of property and equipment  | 2,734                              | 388       |
| Net proceeds from sale of business  | 1,680                              | 151,511   |
| Net cash (used in) provided by investing activities from continuing operations                | (212,392)                          | 121,750   |
| Net cash used in investing activities for discontinued operations                             | (69)                               | (3,433)   |
| Net cash (used in) provided by investing activities   | (212,461)                          | 118,317   |
| Cash flows from financing activities  |                                    |           |
| Long-term debt reduction  | (2,128)                            | (114,292) |
| Proceeds from long-term debt  | 147,768                            | 9,604     |



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|  |           |           |
|--|-----------|-----------|
| Payment of deferred financing costs  | (1,440)   | (569)     |
| Payment of dividends   | (4,476)   | (4,464)   |
| Net proceeds from issuance of common stock                                     | 136       | 1,174     |
| Tax benefit from stock options   |           | 167       |
| Net cash provided by (used in) financing activities from continuing operations | 139,860   | (108,380) |
| Net cash used in financing activities for discontinued operations              |           | (1,500)   |
| Net cash provided by (used in) financing activities                            | 139,860   | (109,880) |
| Net increase (decrease) in cash and cash equivalents                           | 19,250    | (15,725)  |
| Cash and cash equivalents at beginning of year                                 | 13,475    | 28,529    |
| Cash and cash equivalents at end of period                                     | \$ 32,725 | \$ 12,804 |

See accompanying notes to condensed consolidated financial statements

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**GIBRALTAR INDUSTRIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying condensed consolidated financial statements as of and for the three and nine months ended September 30, 2007 and 2006 have been prepared by Gibraltar Industries, Inc. (the Company) without audit. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the financial position, results of operations and cash flows for these respective periods have been included.

Certain information and footnote disclosures including significant accounting policies normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements included in the Company's Annual Report to Shareholders for the year ended December 31, 2006, as filed on Form 10-K.

The consolidated balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

Certain 2006 amounts have been reclassified to conform with the 2007 presentation, primarily for operations discontinued during 2007.

The results of operations for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year.

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**Table of Contents****2. SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME**

The changes in shareholders equity and comprehensive income consist of (in thousands):

|   | Comprehensive<br>Income | Common Stock<br>Shares | Stock<br>Amount | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury<br>Stock<br>Shares | Treasury<br>Stock<br>Amount | Total<br>Shareholders<br>Equity |
|---|-------------------------|------------------------|-----------------|----------------------------------|----------------------|---|-----------------------------|-----------------------------|---------------------------------|
| Balance at<br>January 1, 2007   |                         | 29,841                 | \$ 299          | \$ 215,944                       | \$ 332,920           | \$ 1,065  | 43                          | \$                          | \$ 550,228                      |
| Cumulative effect<br>of adoption of<br>FIN 48   |                         |                        |                 |                                  | (750)                |   |                             |                             | (750)                           |
| Comprehensive<br>income:  |                         |                        |                 |                                  |                      |   |                             |                             |                                 |
| Net income  | \$ 14,550               |                        |                 |                                  | 14,550               |   |                             |                             | 14,550                          |
| Other<br>comprehensive<br>income (loss):  |                         |                        |                 |                                  |                      |   |                             |                             |                                 |
| Foreign currency<br>translation<br>adjustment   | 9,535                   |                        |                 |                                  |                      |   |                             |                             |                                 |
| Amortization of<br>other post<br>retirement health<br>care costs, net of<br>tax of \$20 | 57                      |                        |                 |                                  |                      |   |                             |                             |                                 |
| Unrealized loss<br>on interest rate<br>swaps, net of tax<br>of \$293                    | (477)                   |                        |                 |                                  |                      |   |                             |                             |                                 |
| Other<br>comprehensive<br>income  | 9,115                   |                        |                 |                                  |                      | 9,115   |                             |                             | 9,115                           |
| Total<br>comprehensive<br>income  | \$ 23,665               |                        |                 |                                  |                      |   |                             |                             |                                 |
| Issuance of<br>restricted shares  |                         | 6                      |                 |                                  |                      |   |                             |                             |                                 |
| Equity based<br>compensation<br>expense   |                         |                        |                 | 2,043                            |                      |   |                             |                             | 2,043                           |
| Stock options<br>exercised  |                         | 24                     |                 | 136                              |                      |   | 5                           | (117)                       | 19                              |

|                                       |        |        |            |            |           |       |          |            |
|---------------------------------------|--------|--------|------------|------------|-----------|-------|----------|------------|
| Settlement of restricted stock units  | 19     | 1      | (1)        |            | 14        | (276) | (276)    |            |
| Forfeiture of restricted stock awards |        |        |            |            | 1         |       |          |            |
| Cash dividends \$ .20 per share       |        |        |            | (5,971)    |           |       | (5,971)  |            |
| Balance at September 30, 2007         | 29,886 | \$ 300 | \$ 218,122 | \$ 340,749 | \$ 10,180 | 63    | \$ (393) | \$ 568,958 |

The cumulative balance of each component of accumulated other comprehensive loss, net of tax, is as follows (in thousands):

|                               | Foreign currency translation adjustment | Minimum pension liability adjustment | Unamortized post retirement health care costs | Unrealized gain/(loss) on interest rate swaps | Accumulated other comprehensive loss |
|-------------------------------|---|--------------------------------------|---|---|--------------------------------------|
| Balance at January 1, 2007    | \$ 1,977                                | \$ 3                                 | \$ (969)                                      | \$ 54   | \$ 1,065                             |
| Current period change         | 9,535                                   |                                      | 57  | (477)   | 9,115                                |
| Balance at September 30, 2007 | \$ 11,512                               | \$ 3                                 | \$ (912)                                      | \$ (423)                                      | \$ 10,180                            |

Total comprehensive income for the three and nine months ended September 30, 2007, was \$87,000 and \$23,665,000, respectively and for the three and nine months ended September 30, 2006 was \$17,118,000 and \$55,545,000, respectively.

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**3. INCOME TAXES**

The Company and its U. S. subsidiaries file a U.S. federal consolidated income tax return. The Internal Revenue Service has concluded its examination of the Company's income tax returns for the years prior to 2003. The U.S. federal statute of limitations remains open for the 2003 tax year and beyond. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 4 to 6 years. Several of our tax returns are currently under examination in various U.S. state jurisdictions.

We adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48) effective January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$750,000 increase in tax liabilities, with a corresponding reduction in retained earnings. The recognition was caused by uncertain tax positions of \$408,000 and the provision for related interest and penalties of \$342,000.

During the three and nine months ended September 30, 2007, the Company incurred an additional \$441,000 and \$491,000, respectively, to account for uncertain tax positions primarily relating to state income taxes. The Company does not anticipate significant increases or decreases in our uncertain tax positions within the next twelve months. The Company recognizes penalties and interest relating to uncertain tax positions in the provision for income taxes. Income taxes for continuing operations for the quarter and nine months ended September 30, 2007 were \$5,982,000 and \$18,072,000, respectively and were based on an expected annual tax rate of 37.8%, the same rate as in 2006. The income tax rate during the third quarter of 2007 was impacted by a change in German tax law which resulted in a decrease in tax expense of \$440,000 and return to provision adjustments which resulted in a decrease of \$637,000 in tax expense, partially offset by the provision for an uncertain tax position of \$441,000. The tax benefit from discontinued operations is impacted by the write-off of \$8,058,000 of non-deductible goodwill.

**4. EQUITY-BASED COMPENSATION**

On May 19, 2005, the Gibraltar Industries, Inc. 2005 Equity Incentive Plan (the 2005 Equity Incentive Plan) was approved by the Company's stockholders. The 2005 Equity Incentive Plan is an incentive compensation plan that allows the Company to grant equity-based incentive compensation awards to eligible participants to provide them an additional incentive to promote the business of the Company, to increase their proprietary interest in the success of the Company and to encourage them to remain in the Company's employ. Awards under the plan may be in the form of options, restricted shares, restricted units, performance shares, performance units and rights. The 2005 Equity Incentive Plan provides for the issuance of up to 2,250,000 shares of common stock. Of the total number of shares of common stock issuable under the 2005 Equity Incentive Plan, the aggregate number of shares that may be issued in connection with grants of restricted stock or restricted units cannot exceed 1,350,000 shares, and the aggregate number of shares which may be issued in connection with grants of incentive stock options and rights cannot exceed 900,000 shares. Vesting terms and award life are governed by the award document.

The Management Stock Purchase Plan (MSPP) was approved by the shareholders in conjunction with the adoption of the 2005 Equity Incentive Plan. The MSPP provides participants the ability to defer up to 50% of their annual bonus under the Management Incentive Compensation Plan. The deferral is converted to restricted stock units and credited to an account along with a match equal to the deferral amount. The account is converted to cash at the current value of the Company's stock and payable to the participants upon their termination from employment with the Company. The matching portion is payable only if the participant has reached their sixtieth birthday. If a participant terminates prior to age 60, the match is forfeited. Upon termination, the account is converted to a cash account that accrues interest at 2% over the then current 10 year U. S. Treasury note. The account is then paid out in five equal annual cash installments.

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During the nine months ended September 30, 2007 and 2006, the Company issued 6,000 and 6,000 restricted shares, 176,948 and 167,125 restricted stock units, and granted 166,800 and 174,025 non-qualified stock options, respectively.

The fair value of restricted stock units held in the MSPP equals the trailing 200 day average of the closing market price of our common stock as of the last day of the period. As of September 30, 2007, 120,206 restricted stock units were credited to participant accounts. At September 30, 2007, the trailing 200 day average of the closing market price of our common stock was \$21.87 per share.

**5. INVENTORIES**

Inventories consist of the following (in thousands):

|                   | September<br>30,<br>2007 | December<br>31,<br>2006 |
|-------------------|--------------------------|-------------------------|
| Raw material      | \$ 87,347                | \$ 88,501               |
| Work-in process   | 45,791                   | 41,097                  |
| Finished goods    | 95,995                   | 90,521                  |
| <br>              |                          |                         |
| Total inventories | \$ 229,133               | \$ 220,119              |

**6. NET INCOME PER SHARE**

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding, as well as dilutive potential common shares which, in the Company's case, comprise shares issuable under the stock option and restricted stock plans. The treasury stock method is used to calculate dilutive shares, which reduces the gross number of dilutive shares by the number of shares purchasable from the proceeds and applicable tax benefits of the options assumed to be exercised.

The following table sets forth the computation of basic and diluted earnings per share as of:

|  | Three Months Ended<br>September 30, |               | Nine months Ended<br>September 30, |               |
|--|-------------------------------------|---------------|------------------------------------|---------------|
|  | 2007                                | 2006          | 2007                               | 2006          |
| Numerator:   |                                     |               |                                    |               |
| Income from continuing operations  | \$ 11,367,000                       | \$ 18,230,000 | \$ 31,436,000                      | \$ 49,999,000 |
| Income (loss) from discontinued operations                                       | (14,911,000)                        | (234,000)     | (16,886,000)                       | 5,707,000     |
| Income available to common stockholders  | \$ (3,544,000)                      | \$ 17,996,000 | \$ 14,550,000                      | \$ 55,706,000 |
| <br>   |                                     |               |                                    |               |
| Weighted average shares outstanding  | 29,873,456                          | 29,747,231    | 29,847,059                         | 29,690,616    |
| <br>   |                                     |               |                                    |               |
| Denominator for diluted income per share:  |                                     |               |                                    |               |
| Weighted average shares outstanding<br>common stock options and restricted stock | 273,060                             | 292,359       | 255,451                            | 302,434       |
| <br>   |                                     |               |                                    |               |
| Weighted average shares and conversions  | 30,146,516                          | 30,039,590    | 30,102,510                         | 29,993,050    |



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On June 8, 2006 the Company acquired all of the outstanding stock of Home Impressions, Inc. (Home Impressions). Home Impressions is based in Hickory, North Carolina and markets and distributes mail boxes and postal accessories. The acquisition of Home Impressions served to strengthen the Company's position in the mail box and storage systems markets, and is expected to provide marketing, manufacturing and distribution synergies with our existing operations. The results of Home Impressions (included in the Company's Building Products segment) are included in the Company's consolidated financial results from the date of acquisition. The acquisition of Home Impressions is not considered significant to the Company's consolidated results of operations.

The aggregate initial consideration was \$12,473,000 which consisted of \$9,612,000 in cash, including acquisition costs, and the assumption of \$2,861,000 notes payable, with the final purchase price subject to adjustment for operating results through May 2009. The initial purchase price has been allocated to the assets acquired and liabilities assumed based upon respective fair market values. The fair market values of the property, plant and equipment, and identifiable intangible assets were determined with the assistance of an independent valuation. The identifiable intangible assets consisted of a non-compete agreement with a value of \$530,000 (8 year estimated useful life), trademarks with a value of \$1,340,000 (15 year estimated useful life), patents with a value of \$535,000 (20 year estimated useful life), and customer relationships with a value of \$1,570,000 (10 year estimated useful life). The excess consideration over fair value was recorded as goodwill and aggregated approximately \$6,930,000, none of which is deductible for tax purposes. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

|                               |           |
|-------------------------------|-----------|
| Working capital               | \$ 1,826  |
| Property, plant and equipment | 1,660     |
| Other long term liabilities   | (1,918)   |
| Intangibles                   | 3,975     |
| Goodwill                      | 6,930     |
|                               | \$ 12,473 |

As part of the purchase agreement with the former owners of Home Impressions, the Company is required to pay additional consideration through May 2009 based upon the operating results of Home Impressions. The Company paid \$128,000 of such additional consideration during the nine months ended September 30, 2007. These payments were recorded as additional goodwill.

On November 1, 2006, the Company acquired all of the outstanding stock of The Expanded Metal Company Limited and Sorst Streckmetall GmbH (EMC). EMC has locations in England, Germany and Poland and manufactures, markets and distributes a diverse line of products used in the commercial and industrial sectors of the building products market. The acquisition of EMC is expected to strengthen the Company's position in the expanded metal market and provide expanded market exposure for both EMC products and certain products currently manufactured by the Company. The results of operations of EMC (included in the Company's Building Products segment) have been included in the Company's consolidated results of operations from the date of acquisition.

The aggregate purchase consideration for the acquisition of EMC was approximately \$45,231,000 in cash and acquisition costs. The purchase price was allocated to the assets acquired and liabilities assumed based upon respective fair market values. The identifiable intangible assets consisted of a trademark with a value of \$4,771,000 (indefinite useful life) and customer relationships with a value of \$7,443,000 (7 year estimated useful life). The fair market value of the property, plant and equipment, and identifiable intangible assets were determined with the assistance of an independent valuation. The excess consideration over fair value was recorded as goodwill and aggregated approximately \$21,328,000, none of which is deductible for tax purposes. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

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|                                  |           |
|----------------------------------|-----------|
| Working capital                  | \$ 5,405  |
| Property, plant and equipment    | 11,338    |
| Other long term liabilities, net | (5,054)   |
| Intangible assets                | 12,214    |
| Goodwill                         | 21,328    |
|                                  | \$ 45,231 |

On March 9, 2007 the Company acquired all of the outstanding stock of Dramex Corporation ( Dramex ). Dramex has locations in Ohio, Canada and England and manufactures, markets and distributes a diverse line of expanded metal products used in the commercial and industrial sectors of the building products market. The acquisition of Dramex is expected to strengthen the Company's position in the expanded metal market and provide additional exposure for both Dramex's products and certain products currently manufactured by the Company. The results of Dramex (included in the Company's Building Products segment) are included in the Company's consolidated financial results from the date of acquisition. The acquisition of Dramex is not considered significant to the Company's consolidated results of operations.

The aggregate purchase consideration for the acquisition of Dramex was \$22,659,000 in cash and acquisition costs. The purchase price was allocated to the assets acquired and liabilities assumed based upon a preliminary valuation of respective fair values. A final valuation is expected to be completed prior to the end of the Company's fiscal year. The excess consideration over fair value was recorded as goodwill and aggregated approximately \$13,737,000, none of which is deductible for tax purposes. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

|                                  |           |
|----------------------------------|-----------|
| Working capital                  | \$ 5,571  |
| Property, plant and equipment    | 4,652     |
| Other long term liabilities, net | (1,301)   |
| Goodwill                         | 13,737    |
|                                  | \$ 22,659 |

On April 10, 2007 the Company acquired certain assets and liabilities of Noll Manufacturing Company, NorWesCo, and M&N Plastics (Noll). The assets the Company acquired from Noll are used to manufacture, market and distribute products for the building, HVAC, and lawn and garden components of the building products market. The acquisition of Noll will serve to strengthen our manufacturing, marketing and distribution capabilities and is expected to provide manufacturing and distribution synergies with our existing businesses. The results of Noll (included in the Company's Building Products segment) have been included in the Company's consolidated financial results from the date of acquisition. The acquisition of Noll is not considered significant to the Company's consolidated results of operations. The aggregate purchase consideration was approximately \$63,708,000 in cash and direct acquisition costs. The purchase price has been allocated to the assets acquired and liabilities assumed based upon a preliminary valuation of respective fair values. A final valuation is expected to be completed prior to the end of the Company's fiscal year. The excess consideration over fair value was recorded as goodwill and aggregated

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approximately \$18,778,000, which is deductible for tax purposes. The allocation of the purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

|                               |           |
|-------------------------------|-----------|
| Working capital               | \$ 24,399 |
| Property, plant and equipment | 20,531    |
| Goodwill                      | 18,778    |
|                               | \$ 63,708 |

On August 31, 2007, the Company acquired all of the outstanding stock of Florence Corporation (Florence). Florence is located in Manhattan, Kansas and designs and manufactures storage solutions, including mail and package delivery products. The acquisition of Florence strengthens the Company's position in the storage solutions market. The results of Florence (included in the Company's Building Products segment) have been included in the Company's consolidated financial results since the date of acquisition. The acquisition of Florence is not considered significant to the Company's results of operations.

The aggregate purchase consideration for the acquisition of Florence was \$116,921,000 in cash, including direct acquisition costs, and the assumption of a \$6,496,000 capital lease. The purchase price was allocated to the assets acquired and liabilities assumed based upon a preliminary estimate of respective fair values. A final valuation is expected to be completed during the next six months. The excess consideration was recorded as goodwill and approximated \$96,809,000. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

|                               |            |
|-------------------------------|------------|
| Working capital               | \$ 14,383  |
| Property, plant and equipment | 11,960     |
| Other assets                  | 265        |
| Goodwill                      | 96,809     |
|                               | \$ 123,417 |

The company and the former owners of Florence plan to make a joint election under Internal revenue Code (IRC) Section 338(h) (10) which will allow the Company to treat the stock purchase as an asset purchase for tax purposes, and therefore, goodwill should be deductible for tax purposes.

**8. DISCONTINUED OPERATIONS**

As part of its continuing evaluation of its businesses, during 2007 the Company determined that both its cabinet manufacturing and steel service center businesses no longer provided a strategic fit with its long-term growth and operational objectives.

On August 1, 2007, the Company sold certain assets of its bath cabinet manufacturing business, and committed to a plan to sell the remaining assets of this business. On September 27, 2007 the Company committed to a plan to dispose of the assets of its steel service center business. The Company took a charge of approximately \$2,900,000 and \$13,900,000, to reduce the value of the assets of the bath cabinet manufacturing and steel service center businesses, respectively, to net recoverable value. We expect to complete the sale of the assets of these businesses during the next six months. The bath cabinet manufacturing business was previously included in the building products segment and the steel service center business was previously included in the processed metal products segment.

On June 16, 2006 and June 30, 2006, in separate transactions, the Company sold certain assets and liabilities of both its strapping and thermal processing businesses, respectively. The strapping business was previously included in the processed metal products segment and the thermal processing business was previously reported as a separate segment. In accordance with the provisions of Statement of Financial Accounting Standards No. 144, *Accounting for*

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*the Impairment or Disposal of Long-Lived Assets* (SFAS 144), the results of operations for the thermal processing business, strapping business, bath cabinet manufacturing business and steel service center business have been classified as discontinued operations in the condensed consolidated financial statements for all periods presented. The Company allocates interest to its discontinued operations in accordance with the provisions of the Financial Accounting Standards Board's Emerging Issues Task Force item 87-24, *Allocation of Interest to Discontinued Operations*. Interest expense of \$266,000 and \$366,000 and \$1,061,000 and \$3,682,000 was allocated to discontinued operations during the three and nine months ended September 30, 2007 and 2006, respectively. Components of income (loss) from discontinued operations are as follows (in thousands):

|   | Three Months Ended |           | Nine months Ended |            |
|---|--------------------|-----------|-------------------|------------|
|   | September 30,      |           | September 30,     |            |
|   | 2007               | 2006      | 2007              | 2006       |
| Net sales   | \$ 9,258           | \$ 42,649 | \$ 36,116         | \$ 195,642 |
| Expenses  | 27,848             | 43,037    | 57,849            | 186,453    |
| Income (loss) from discontinued operations before taxes | \$ (18,590)        | \$ (388)  | \$ (21,733)       | \$ 9,189   |

**9. GOODWILL AND RELATED INTANGIBLE ASSETS***Goodwill*

The changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30, 2007 is as follows (in thousands):

|                                   | Building | Processed      | Total   |
|-----------------------------------|----------|----------------|---------|
|                                   | Products | Metal Products |         |
|                                   | Segment  | Segment        |         |
| Balance as of January 1, 2007     | 358,856  | 7,907          | 366,763 |
| Goodwill acquired                 | 129,634  |                | 129,634 |
| Additional acquisition costs, net | 381      |                | 381     |
| Foreign currency translation      | 4,111    | 145            | 4,256   |
| Balance as of September 30, 2007  | 492,982  | 8,052          | 501,034 |

*Intangible Assets*

Acquired intangible assets subject to amortization at September 30, 2007 are as follows (in thousands):

|                                  | Gross Carrying Amount | Accumulated Amortization | Estimated Life |
|----------------------------------|-----------------------|--------------------------|----------------|
| Trademark / Trade Name           | \$ 2,000              | \$ (343)                 | 2 to 15 years  |
| Unpatented Technology            | 5,148                 | (1,191)                  | 5 to 20 years  |
| Customer Relationships           | 26,927                | (4,444)                  | 5 to 15 years  |
| Non-Competition Agreements       | 3,591                 | (1,748)                  | 5 to 10 years  |
| Balance as of September 30, 2007 | \$ 37,666             | \$ (7,726)               |                |



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Acquired intangible assets with indefinite useful lives not subject to amortization consist of trademarks and trade names valued at \$30,564,000.

Acquired intangible asset amortization expense for the three and nine month periods ended September 30, 2007 and 2006 aggregated approximately \$923,000 and \$537,000, and \$2,738,000 and \$1,650,000, respectively.

Amortization expense related to acquired intangible assets for the remainder of fiscal 2007 and the next five years thereafter is as follows (in thousands)

|                     |         |
|---------------------|---------|
| Year Ended December |         |
| 31,                 |         |
| 2007                | \$ 916  |
| 2008                | \$3,537 |
| 2009                | \$3,456 |
| 2010                | \$3,387 |
| 2011                | \$3,218 |
| 2012                | \$3,193 |

**10. RELATED PARTY TRANSACTIONS**

In connection with the acquisition of Construction Metals, the Company entered into two unsecured subordinated notes each in the amount of \$8,750,000 (aggregate total of \$17,500,000). These notes were payable to the two former owners of Construction Metals and were considered to be related party transactions due to the former owners continuing employment relationship with the Company. These notes were payable in annual principal installments of \$2,917,000 per note on April 1, and were satisfied on April 1, 2006. These notes required quarterly interest payments at an interest rate of 5.0% per annum. Interest expense related to these notes was approximately \$72,000 for the nine months ended September 30, 2006.

The Company has certain operating lease agreements related to operating locations and facilities with the former owners of Construction Metals or companies controlled by these parties. These operating leases are considered to be related party in nature. Rental expense associated with these related party operating leases aggregated approximately \$1,094,000 and \$1,015,000 for the nine months ended September 30, 2007 and 2006, respectively.

Two members of our Board of Directors are partners in law firms that provide legal services to the Company. For the nine months ended September 30, 2007 and 2006, the Company incurred \$1,692,000 and \$1,413,000, respectively, for legal services from these firms. Of the amount incurred, \$1,040,000 and \$1,116,000, was expensed during the nine months ended September 30, 2007 and 2006, respectively. \$652,000 and \$297,000 were capitalized as acquisition costs and deferred debt issuance costs during the nine months ended September 30, 2007 and 2006, respectively. At September 30, 2007 and 2006, the Company had \$124,000 and \$295,000, respectively, recorded as accounts payable for these law firms.

**11. BORROWINGS UNDER REVOLVING CREDIT FACILITY**

On August 31, 2007, the Company entered into a second amended and restated credit agreement (the Credit Agreement ). The Credit Agreement provides a revolving credit facility with an aggregate limit of \$375,000,000. At September 30, 2007, the Company had \$132,776,000 of availability under the revolving credit facility.

**Table of Contents****12. NET PERIODIC BENEFIT COSTS**

The following tables present the components of net periodic pension and other postretirement benefit costs charged to expense (in thousands):

|                            | Pension Benefit    |       |                   |        |
|----------------------------|--------------------|-------|-------------------|--------|
|                            | Three Months Ended |       | Nine Months Ended |        |
|                            | September 30,      |       | September 30,     |        |
|                            | 2007               | 2006  | 2007              | 2006   |
| Service cost               | \$ 41              | \$ 40 | \$ 123            | \$ 120 |
| Interest cost              | 35                 | 30    | 105               | 91     |
| Net periodic benefit costs | \$ 76              | \$ 70 | \$ 228            | \$ 211 |

|   | Other Post Retirement Benefits |        |                   |        |
|---|--------------------------------|--------|-------------------|--------|
|   | Three Months Ended             |        | Nine Months Ended |        |
|   | September 30,                  |        | September 30,     |        |
|   | 2007                           | 2006   | 2007              | 2006   |
| Service cost                                    | \$ 29                          | \$ 26  | \$ 87             | \$ 78  |
| Interest cost                                   | 58                             | 56     | 174               | 168    |
| Amortization of unrecognized prior service cost | (5)                            | (6)    | (15)              | (18)   |
| Loss amortization                               | 31                             | 28     | 93                | 84     |
| Net periodic benefit costs                      | \$ 113                         | \$ 104 | \$ 339            | \$ 312 |

**13. SEGMENT INFORMATION**

The Company is organized into two reportable segments on the basis of the production process and products and services provided by each segment, identified as follows:

- (i) Building Products, which primarily includes the processing of sheet steel, aluminum and other materials to produce a wide variety of building and construction products.
- (ii) Processed Metal Products, which primarily includes the intermediate processing of wide, open tolerance flat-rolled sheet steel and other metals through the application of several different processes to produce high-quality, value-added coiled steel and other metal products to be further processed by customers.

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The following table illustrates certain measurements used by management to assess the performance of the segments described above (in thousands):

|   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30,   |                      |
|---|-------------------------------------|------------|--------------------------------------|----------------------|
|   | 2007                                | 2006       | 2007                                 | 2006                 |
| Net sales                                     |                                     |            |                                      |                      |
| Building products                             | \$ 247,175                          | \$ 223,711 | \$ 710,522                           | \$ 672,064           |
| Processed metal products                      | 95,395                              | 94,731     | 292,594                              | 283,907              |
|   | \$ 342,570                          | \$ 318,442 | \$ 1,003,116                         | \$ 955,971           |
| Income (loss) from operations                 |                                     |            |                                      |                      |
| Building products                             | \$ 28,497                           | \$ 34,511  | \$ 78,382                            | \$ 106,163           |
| Processed metal products                      | 5,540                               | 7,187      | 16,089                               | 20,862               |
| Corporate                                     | (8,672)                             | (6,099)    | (22,923)                             | (27,948)             |
|   | \$ 25,365                           | \$ 35,599  | \$ 71,548                            | \$ 99,077            |
| Depreciation and amortization                 |                                     |            |                                      |                      |
| Building products                             | \$ 5,851                            | \$ 3,437   | \$ 16,558                            | \$ 11,781            |
| Processed metal products                      | 1,666                               | 1,432      | 5,174                                | 5,325                |
| Corporate                                     | 703                                 | 780        | 2,057                                | 2,324                |
|   | \$ 8,220                            | \$ 5,649   | \$ 23,789                            | \$ 19,430            |
| Capital expenditures (excluding acquisitions) |                                     |            |                                      |                      |
| Building products                             | \$ 2,054                            | \$ 4,445   | \$ 8,575                             | \$ 12,899            |
| Processed metal products                      | 1,314                               | 421        | 3,350                                | 2,027                |
| Corporate                                     | 62                                  | 673        | 901                                  | 2,017                |
|   | \$ 3,430                            | \$ 5,539   | \$ 12,826                            | \$ 16,943            |
|   |                                     |            | September 30,<br>2007<br>(unaudited) | December 31,<br>2006 |
| Total identifiable assets                     |                                     |            |                                      |                      |
| Building products                             |                                     |            | \$ 1,032,321                         | \$ 820,728           |
| Processed metal products                      |                                     |            | 239,526                              | 233,296              |
| Corporate *                                   |                                     |            | 82,530                               | 98,844               |
|   |                                     |            | \$ 1,354,377                         | \$ 1,152,868         |

\*

includes assets  
from  
discontinued  
operations

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**14. SUPPLEMENTAL FINANCIAL INFORMATION**

The following information sets forth the consolidating summary financial statements of the issuer (Gibraltar Industries, Inc.) and guarantors, which guarantee the 8% senior subordinated notes due December 1, 2015, and the non-guarantors. The guarantors are wholly owned subsidiaries of the issuer and the guarantees are full, unconditional, joint and several.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting. The guarantor subsidiaries and non-guarantor subsidiaries are presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

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Gibraltar Industries, Inc.  
Condensed Consolidating Balance Sheets  
September 30, 2007  
(in thousands)

|  | Gibraltar<br>Industries,<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total     |
|--|----------------------------------|---------------------------|-------------------------------|--------------|-----------|
| <b>Assets</b>                          |                                  |                           |                               |              |           |
| Current assets:                        |                                  |                           |                               |              |           |
| Cash and cash equivalents              | \$                               | \$ 10,836                 | \$ 21,889                     | \$           | \$ 32,725 |
| Accounts receivable, net               |                                  | 183,724                   | 25,757                        |              | 209,481   |
| Intercompany balances                  | 330,009                          | (315,783)                 | (14,226)                      |              |           |
| Inventories                            |                                  | 216,046                   | 13,087                        |              | 229,133   |
| Other current assets                   |                                  | 19,381                    | 720                           |              | 20,101    |
| Assets of discontinued operations      |                                  | 23,642                    |                               |              | 23,642    |
| Total current assets                   | 330,009                          | 137,846                   | 47,227                        |              | 515,082   |
|  |                                  |                           |                               |              |           |
| Property, plant and equipment, net     |                                  | 238,454                   | 22,099                        |              | 260,553   |
| Goodwill                               |                                  | 453,727                   | 47,307                        |              | 501,034   |
| Acquired intangibles                   |                                  | 47,112                    | 13,392                        |              | 60,504    |
| Investments in partnerships            |                                  | 2,616                     |                               |              | 2,616     |
| Other assets                           | 5,961                            | 8,398                     | 229                           |              | 14,588    |
| Investment in subsidiaries             | 439,782                          | 100,952                   |                               | (540,734)    |           |
|  | 775,752                          | 989,105                   | 130,254                       | (540,734)    | 1,354,377 |
|  |                                  |                           |                               |              |           |
| <b>Liabilities and Shareholders</b>    |                                  |                           |                               |              |           |
| <b>Equity</b>                          |                                  |                           |                               |              |           |
| Current liabilities:                   |                                  |                           |                               |              |           |
| Accounts payable                       |                                  | 77,926                    | 15,023                        |              | 92,949    |
| Accrued expenses                       | 5,781                            | 36,345                    | 6,806                         |              | 48,932    |
| Current maturities of long-term debt   |                                  | 2,964                     |                               |              | 2,964     |
| Liabilities of discontinued operations |                                  | 2,555                     |                               |              | 2,555     |
| Total current liabilities              | 5,781                            | 119,790                   | 21,829                        |              | 147,400   |
|  |                                  |                           |                               |              |           |
| Long-term debt                         | 201,013                          | 348,590                   | 1,067                         |              | 550,670   |
| Deferred income taxes                  |                                  | 66,550                    | 5,962                         |              | 72,512    |
| Other non-current liabilities          |                                  | 14,393                    | 444                           |              | 14,837    |
| Shareholders equity                    | 568,958                          | 439,782                   | 100,952                       | (540,734)    | 568,958   |

\$ 775,752    \$ 989,105    \$ 130,254    \$ (540,734)    \$ 1,354,377

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Gibraltar Industries, Inc.  
Consolidating Balance Sheets  
December 31, 2006  
(in thousands)

|  | Gibraltar<br>Industries,<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total        |
|--|----------------------------------|---------------------------|-------------------------------|--------------|--------------|
| <b>Assets</b>                              |                                  |                           |                               |              |              |
| Current assets:                            |                                  |                           |                               |              |              |
| Cash and cash equivalents                  | \$                               | \$ 4,982                  | \$ 8,493                      | \$           | \$ 13,475    |
| Accounts receivable                        |                                  | 146,859                   | 16,872                        |              | 163,731      |
| Intercompany balances                      | 335,496                          | (313,514)                 | (21,982)                      |              |              |
| Inventories                                |                                  | 208,164                   | 11,955                        |              | 220,119      |
| Other current assets                       |                                  | 17,289                    | 810                           |              | 18,099       |
| Assets of discontinued operations          |                                  | 40,356                    |                               |              | 40,356       |
| Total current assets                       | 335,496                          | 104,136                   | 16,148                        |              | 455,780      |
| Property, plant and equipment, net         |                                  | 213,646                   | 19,603                        |              | 233,249      |
| Goodwill                                   |                                  | 338,050                   | 28,713                        |              | 366,763      |
| Acquired intangibles                       |                                  | 49,230                    | 13,136                        |              | 62,366       |
| Investments in partnerships                |                                  | 2,440                     |                               |              | 2,440        |
| Other assets                               | 6,492                            | 6,955                     | 860                           |              | 14,307       |
| Investment in subsidiaries                 | 410,578                          | 56,823                    |                               | (467,401)    |              |
| Assets of discontinued operations          |                                  | 17,963                    |                               |              | 17,963       |
|  | \$ 752,566                       | \$ 789,243                | \$ 78,460                     | \$ (467,401) | \$ 1,152,868 |
| <b>Liabilities and Shareholders Equity</b> |                                  |                           |                               |              |              |
| Current liabilities:                       |                                  |                           |                               |              |              |
| Accounts payable                           | \$                               | \$ 58,469                 | \$ 10,571                     | \$           | \$ 69,040    |
| Accrued expenses                           | 1,513                            | 45,290                    | 3,476                         |              | 50,279       |
| Current maturities of long-term debt       |                                  | 2,336                     |                               |              | 2,336        |
| Liabilities of discontinued operations     |                                  | 2,760                     |                               |              | 2,760        |
| Total current liabilities                  | 1,513                            | 108,855                   | 14,047                        |              | 124,415      |
| Long-term debt                             | 200,825                          | 196,152                   | 1,240                         |              | 398,217      |
| Deferred income taxes                      |                                  | 64,935                    | 6,046                         |              | 70,981       |
| Other non-current liabilities              |                                  | 8,723                     | 304                           |              | 9,027        |

Liabilities of discontinued  
operations

|                     |            |            |           |              |              |
|---------------------|------------|------------|-----------|--------------|--------------|
| Shareholders equity | 550,228    | 410,578    | 56,823    | (467,401)    | 550,228      |
|                     | \$ 752,566 | \$ 789,243 | \$ 78,460 | \$ (467,401) | \$ 1,152,868 |

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Gibraltar Industries, Inc.  
Condensed Consolidating Statements of Income  
Nine Months Ended September 30, 2007  
(in thousands)

|   | Gibraltar<br>Industries,<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total        |
|---|----------------------------------|---------------------------|-------------------------------|--------------|--------------|
| Net sales   | \$                               | \$ 899,747                | \$ 103,369                    | \$           | \$ 1,003,116 |
| Cost of sales                                     |                                  | 737,517                   | 84,022                        |              | 821,539      |
| Gross profit                                      |                                  | 162,230                   | 19,347                        |              | 181,577      |
| Selling, general and<br>administrative expense    | 193                              | 100,241                   | 9,595                         |              | 110,029      |
| (Loss) income from operations                     | (193)                            | 61,989                    | 9,752                         |              | 71,548       |
| Other (income) expense                            |                                  |                           |                               |              |              |
| Equity in partnerships                            |                                  |                           |                               |              |              |
| (income) loss and other (income)                  |                                  | (1,013)                   | (10)                          |              | (1,023)      |
| Interest expense                                  | 12,616                           | 10,609                    | (162)                         |              | 23,063       |
| Total other expense                               | 12,616                           | 9,596                     | (172)                         |              | 22,040       |
| (Loss) income before taxes                        | (12,809)                         | 52,393                    | 9,924                         |              | 49,508       |
| Provision for income taxes                        | (4,740)                          | 19,775                    | 3,037                         |              | 18,072       |
| (Loss) income from continuing<br>operations       | (8,069)                          | 32,618                    | 6,887                         |              | 31,436       |
| Discontinued operations                           |                                  |                           |                               |              |              |
| Loss from discontinued operations<br>before taxes |                                  | (21,733)                  |                               |              | (21,733)     |
| Income tax benefit                                |                                  | (4,847)                   |                               |              | (4,847)      |
| Loss from discontinued operations                 |                                  | (16,886)                  |                               |              | (16,886)     |
| Equity in earnings from<br>subsidiaries           | 22,619                           | 6,887                     |                               | (29,506)     |              |

|            |           |           |          |             |           |
|------------|-----------|-----------|----------|-------------|-----------|
| Net income | \$ 14,550 | \$ 22,619 | \$ 6,887 | \$ (29,506) | \$ 14,550 |
|------------|-----------|-----------|----------|-------------|-----------|

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Gibraltar Industries, Inc.  
Condensed Consolidating Statements of Income  
Nine Months Ended September 30, 2006  
(in thousands)

|   | Gibraltar<br>Industries,<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total      |
|---|----------------------------------|---------------------------|-------------------------------|--------------|------------|
| Net sales   | \$                               | \$ 917,241                | \$ 40,073                     | \$ (1,343)   | \$ 955,971 |
| Cost of sales   |                                  | 718,840                   | 32,198                        | (1,343)      | 749,695    |
| Gross profit  |                                  | 198,401                   | 7,875                         |              | 206,276    |
| Selling, general and administrative expense             | 504                              | 103,760                   | 2,935                         |              | 107,199    |
| (Loss) income from operations                           | (504)                            | 94,641                    | 4,940                         |              | 99,077     |
| Other (income) expense                                  |                                  |                           |                               |              |            |
| Equity in partnerships (income) loss and other (income) |                                  | (445)                     |                               |              | (445)      |
| Interest expense (income)                               | 12,596                           | 6,576                     | 100                           |              | 19,272     |
| Total other expense                                     | 12,596                           | 6,131                     | 100                           |              | 18,827     |
| (Loss) income before taxes                              | (13,100)                         | 88,510                    | 4,840                         |              | 80,250     |
| Provision for income taxes                              | (5,109)                          | 33,528                    | 1,832                         |              | 30,251     |
| (Loss) income from continuing operations                | (7,991)                          | 54,982                    | 3,008                         |              | 49,999     |
| Discontinued operations                                 |                                  |                           |                               |              |            |
| Income (loss) from discontinued operations before taxes |                                  | 9,310                     | (121)                         |              | 9,189      |
| Income tax expense (benefit)                            |                                  | 3,529                     | (47)                          |              | 3,482      |
| Income (loss) from discontinued operations              |                                  | 5,781                     | (74)                          |              | 5,707      |
| Equity in earnings from subsidiaries                    | 63,697                           | 2,934                     |                               | (66,631)     |            |



|            |    |        |    |        |    |       |    |          |    |        |
|------------|----|--------|----|--------|----|-------|----|----------|----|--------|
| Net income | \$ | 55,706 | \$ | 63,697 | \$ | 2,934 | \$ | (66,631) | \$ | 55,706 |
|------------|----|--------|----|--------|----|-------|----|----------|----|--------|

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Gibraltar Industries, Inc.  
Condensed Consolidating Statements of Cash Flows  
Nine Months Ended September 30, 2007  
(in thousands)

|   | Gibraltar<br>Industries,<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total     |
|---|----------------------------------|---------------------------|-------------------------------|--------------|-----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |                                  |                           |                               |              |           |
| Net cash provided by (used in) continuing operations              | \$ (397)                         | \$ 64,235                 | \$ 12,058                     | \$           | \$ 75,896 |
| Net cash provided by (used in) discontinued operations            |                                  | 15,955                    |                               |              | 15,955    |
| Net cash provided by (used in) operating activities               | (397)                            | 80,190                    | 12,058                        |              | 91,851    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |                                  |                           |                               |              |           |
| Acquisitions, net of cash acquired                                |                                  | (183,498)                 | (20,482)                      |              | (203,980) |
| Purchases of property, plant and equipment                        |                                  | (11,756)                  | (1,070)                       |              | (12,826)  |
| Net proceeds from sale of property and equipment                  |                                  | 2,715                     | 19                            |              | 2,734     |
| Net proceeds from sale of business                                |                                  | 1,680                     |                               |              | 1,680     |
| Net cash used in investing activities from continuing operations  |                                  | (190,859)                 | (21,533)                      |              | (212,392) |
| Net cash used in investing activities for discontinued operations |                                  | (69)                      |                               |              | (69)      |
| Net cash used in investing activities                             |                                  | (190,928)                 | (21,533)                      |              | (212,461) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |                                  |                           |                               |              |           |
| Long-term debt reduction  |                                  | (1,859)                   | (269)                         |              | (2,128)   |
| Proceeds from long-term debt                                      |                                  | 147,768                   |                               |              | 147,768   |
| Intercompany financing  | 4,737                            | (27,877)                  | 23,140                        |              |           |

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|  |         |           |           |           |
|--|---------|-----------|-----------|-----------|
| Payment of deferred financing costs            |         | (1,440)   |           | (1,440)   |
| Payment of dividends                           | (4,476) |           |           | (4,476)   |
| Net proceeds from issuance of common stock     | 136     |           |           | 136       |
| Net cash provided by financing activities      | 397     | 116,592   | 22,871    | 139,860   |
| Net increase in cash and cash equivalents      |         | 5,854     | 13,396    | 19,250    |
| Cash and cash equivalents at beginning of year |         | 4,982     | 8,493     | 13,475    |
| Cash and cash equivalents at end of year       | \$      | \$ 10,836 | \$ 21,889 | \$ 32,725 |

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Gibraltar Industries, Inc.  
Condensed Consolidating Statements of Cash Flows  
Nine Months Ended September 30, 2006  
(in thousands)

|  | Gibraltar<br>Industries,<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total       |
|--|----------------------------------|---------------------------|-------------------------------|--------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                                  |                           |                               |              |             |
| Net cash used in continuing operations   | \$ (2,050)                       | \$ (10,180)               | \$ (3,503)                    | \$           | \$ (15,733) |
| Net cash used in discontinued operations                                       |                                  | (8,429)                   |                               |              | (8,429)     |
| Net cash used in operating activities  | (2,050)                          | (18,609)                  | (3,503)                       |              | (24,162)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                                  |                           |                               |              |             |
| Acquisitions, net of cash acquired   |                                  | (13,206)                  |                               |              | (13,206)    |
| Purchases of property, plant and equipment                                     |                                  | (16,804)                  | (139)                         |              | (16,943)    |
| Net proceeds from sale of property and equipment                               |                                  | 388                       |                               |              | 388         |
| Net proceeds from sale of businesses   |                                  | 151,511                   |                               |              | 151,511     |
| Net cash provided by (used in) investing activities from continuing operations |                                  | 121,889                   | (139)                         |              | 121,750     |
| Net cash used in investing activities for discontinued operations              |                                  | (3,433)                   |                               |              | (3,433)     |
| Net cash provided by (used in) investing activities                            |                                  | 118,456                   | (139)                         |              | 118,317     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                                  |                           |                               |              |             |
| Long-term debt reduction   |                                  | (114,292)                 |                               |              | (114,292)   |
| Proceeds from long-term debt   |                                  | 7,896                     | 1,708                         |              | 9,604       |
| Intercompany financing   | 5,723                            | (7,582)                   | 1,859                         |              |             |

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|   |         |           |          |           |
|---|---------|-----------|----------|-----------|
| Payment of deferred financing costs   | (550)   | (19)      |          | (569)     |
| Net proceeds from issuance of common stock                                    | 1,174   |           |          | 1,174     |
| Payment of dividends  | (4,464) |           |          | (4,464)   |
| Tax benefit from stock options  | 167     |           |          | 167       |
| Net cash provided by (used in) financing activities for continuing operations | 2,050   | (113,997) | 3,567    | (108,380) |
| Net cash used in financing activities for discontinued operations             |         | (1,500)   |          | (1,500)   |
| Net cash (used in) provided by financing activities                           | 2,050   | (115,497) | 3,567    | (109,880) |
| Net decrease in cash and cash equivalents                                     |         | (15,650)  | (75)     | (15,725)  |
| Cash and cash equivalents at beginning of year                                |         | 24,759    | 3,770    | 28,529    |
| Cash and cash equivalents at end of year                                      | \$      | \$ 9,109  | \$ 3,695 | \$ 12,804 |

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**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's condensed consolidated financial statements and notes thereto included in Item 1 of this Form 10-Q.

**Executive Summary**

The condensed consolidated financial statements present the financial condition of the Company as of September 30, 2007 and December 31, 2006, and the condensed consolidated results of operations for the three and nine months ended September 30, 2007 and 2006 and cash flows of the Company for the nine months ended September 30, 2007 and 2006.

We are a leading manufacturer, processor and distributor of residential and commercial building products and processed metal products for industrial applications. We serve customers in a variety of industries in all 50 states, Canada, Mexico, Europe, Asia and Central and South America. We operate 83 facilities in 27 states, Canada, England, Germany, Poland and China.

**Segments**

We operate in two reportable segments – Building Products and Processed Metal Products.

*Building Products.* Through acquisitions and organic growth, we have created a building products business that now offers more than 5,000 products, many of which are market leaders. Our building products segment operates 74 facilities in 25 states, Canada, England, Germany and Poland.

*Processed Metal Products.* Our processed metal products segment focuses on value-added precision sizing and treating of steel for a variety of uses, the manufacture of non-ferrous metal powders for use in several industries, and other activities. Our processed metal product segment operates 9 facilities in 5 states and China.

The following table sets forth the Company's net sales by reportable segment for the three and nine months ending September 30, (in thousands):

|                              | Three Months Ended |            | Nine Months Ended |            |
|------------------------------|--------------------|------------|-------------------|------------|
|                              | September 30,      |            | September 30,     |            |
|                              | 2007               | 2006       | 2007              | 2006       |
| Net sales                    |                    |            |                   |            |
| Building products            | \$ 247,175         | \$ 223,711 | \$ 710,522        | \$ 672,064 |
| Processed metal products     | 95,395             | 94,731     | 292,594           | 283,907    |
| Total consolidated net sales | \$ 342,570         | \$ 318,442 | \$ 1,003,116      | \$ 955,971 |

**Table of Contents****Results of Operations****Consolidated**

Net sales increased by approximately \$24.2 million, or 7.6% to \$342.6 million for the quarter ended September 30, 2007, from net sales of \$318.4 million for the quarter ended September 30, 2006. Net sales increased by approximately \$47.1 million, or 4.9% to \$1,003.1 million for the nine months ended September 30, 2007, from net sales of \$956.0 million for the nine months ended September 30, 2006. The increase in net sales for the quarter was due to the addition of net sales of EMC (acquired November 1, 2006), Noll (acquired April 10, 2007), Florence (acquired August 1, 2007) Dramex (acquired March 9, 2007) and Home Impressions (acquired June 8, 2006) which contributed an aggregate of \$45.8 million in additional net sales. Net sales from our organic business decreased \$21.6 million, or 6.8%, due to the slowdown in the residential housing market. The increase in the net sales for the nine months ended September 30, 2007 was due to the addition of net sales of EMC, Noll, Dramex, Home Impressions and Florence which contributed \$110.5 million in additional net sales. Net sales from our organic business declined \$63.4 million, or 6.6%, due to the slowdown in the residential housing market.

Gross profit as a percentage of net sales decreased to 18.6 % for the quarter ended September 30, 2007, from 21.4% for the quarter ended September 30, 2006. Gross profit margins decreased to 18.1% for the nine months ended September 30, 2007, from 21.6% for the same period in 2006. These decreases were the result of an increase of 3.3% and 3.4% in material costs as a percentage of sales for the quarter and year to date, respectively, a result of unfavorable product mix.

Selling, general and administrative expenses increased to \$38.4 million during the third quarter of 2007 from \$32.6 million in the same quarter of 2006, an increase of approximately \$5.8 million, or 17.7%. Selling, general and administrative expenses for the nine months ended September 30, 2007 increased to \$110.0 million from \$107.2 million for the same period in 2006, an increase of \$2.8 million or approximately 2.6%. The increase in the three month period was largely the result of the acquisitions of EMC, Florence, Dramex, and Home Impressions, which caused \$4.0 million of the increase. The increase in the nine month period ended September 30, 2007 was the result of the acquisitions EMC, Noll, Dramex, Home Impressions and Florence which caused an increase of approximately \$10.1 million. Excluding the effect of the acquisitions, selling, general and administrative costs decreased \$7.3 million, or 6.8%, in the nine months ended September 30, 2007 as compared to the same period in 2006. This decrease was the result of \$4.1 million lower bonus accrual, a function of our decreased operating results, approximately \$0.8 million of reduced spending on data communications and \$1.9 million of net reductions in other administrative costs, a function of our continued focus on reducing costs. As a result, selling, general and administrative expenses as a percentage of net sales increased to 11.2% from 10.2% and decreased to 11.0% from 11.2% for the three and nine month periods, respectively.

As a result of the above, income from operations as a percentage of net sales for the quarter ended September 30, 2007 decreased to 7.4% from 11.2% for the same period in 2006. Income from operations for the nine months ended September 30, 2007 decreased to 7.1% from 10.4% for the comparable period last year.

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Interest expense increased by approximately \$2.3 million for the quarter ended September 30, 2007 to \$8.4 million from \$6.1 million for the quarter ended September 30, 2006. Interest expense increased by approximately \$3.8 million for the nine months ended September 30, 2007 to \$23.1 million from \$19.3 million for the nine months ended September 30, 2006. This increase was due primarily to the higher average borrowings in 2007 caused by the acquisitions of EMC, Home Impressions, Dramex, Noll and Florence along with higher overall interest rates compared to the same periods in the prior year, primarily the result of higher market interest rates.

As a result of the above, income from continuing operations before taxes decreased by \$12.1 million to \$17.3 million for the quarter ended September 30, 2007 and \$30.8 million to \$49.5 million for the nine months ended September 30, 2007, compared to the same periods in 2006.

Income taxes for continuing operations for the quarter and nine months ended September 30, 2007 approximated \$6.0 million and \$18.1 million, respectively and were based on an expected annual tax rate of 37.8%, the same rate as in 2006. The income tax rate during the third quarter of 2007 was impacted by a change in German tax law which resulted in a decrease in tax expense of \$0.4 million and return to provision adjustments which resulted in a decrease of \$0.7 million in tax expense, partially offset by the provision for an uncertain tax position of \$0.4 million. The tax benefit from discontinued operations is impacted by the write-off of approximately \$8.1 million of non-deductible goodwill.

Income from discontinued operations for the nine months and quarter ended September 30, 2007 reflects a loss of approximately \$13.5 million related to the write-down of the book value of the assets of our steel service center and bath cabinet manufacturing businesses to net recoverable value, along with the results of these businesses.

The following provides further information by segment:

*Building Products*

Net sales in the quarter ended September 30, 2007 increased to \$247.2 million, or 10.5%, from net sales of \$223.7 million in the third quarter of 2006. Net sales increased to \$710.5 million for the nine months ended September 30, 2007 from net sales of \$672.1 million for the same period in 2006, an increase of \$38.4 million or 5.7%. Excluding the impact of the acquisition of EMC, Noll, Dramex, Home Impressions and Florence, sales decreased 10.0% and 10.7% for the three and nine months ended September 30, 2007, respectively, when compared to the same period in 2006. The decrease in net sales during both periods, excluding the effect of the acquisitions, was due to reduced volumes as a result of the housing market downturn.

Income from operations as a percentage of net sales decreased to 11.5% for the quarter ended September 30, 2007 from 15.4% a year ago. For the nine months ended September 30, 2007, income from operations as a percentage of net sales decreased to 11.0% from 15.8% for the same period in 2006. The decrease in operating margin in the quarter was primarily caused by a 3.1% increase in material costs as a percentage of sales. The decrease in operating margin for the nine months was primarily the result of a 2.2% increase in material costs and a 1.0% increase in direct labor costs as a percentage of sales. These cost increases are the result of unfavorable volumes and product mix.

*Processed Metal Products*

Net sales increased by approximately \$0.7 million, or 0.7%, to \$95.4 million for the quarter ended September 30, 2007, from net sales of \$94.7 million for the quarter ended September 30, 2006. Net sales increased by approximately \$8.7 million, or 3.1%, to \$292.6 million for the nine months ended September 30, 2007 from net sales of \$283.9 million for the same period in 2006. The increases in net sales for the quarter and nine months were driven by pricing increases, as volumes have declined slightly.



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Income from operations as a percentage of net sales decreased to 5.8% of net sales for the quarter ended September 30, 2007 compared to 7.6% in the third quarter a year ago. For the nine months ended September 30, 2007, income from operations as a percentage of net sales decreased to 5.5% from 7.3% for the comparable 2006 period. The decrease in operating margin in the quarter was the result of 4.6% higher material costs as a percentage of sales, due mainly to higher copper costs. The decrease in the nine months was due primarily to 6.1% higher material costs as a percentage of sales, due mainly to higher copper costs and \$2.0 million of costs incurred in connection with the consolidation of our flat rolled processing plants in Buffalo, NY.

**Outlook**

The Company expects results from the quarter ended December 31, 2007 will be lower than those realized in the quarter ended December 31, 2006. The slowdowns in the new build residential housing and domestic automotive markets have caused a reduction in results and we expect that softness in these markets will continue during the fourth quarter, which has historically been the seasonally weakest period of the Company's fiscal cycle. The Company believes it is positioned to benefit from its cost reduction programs and internal growth initiatives, as well as continuing operational improvements as the markets we serve return to more normal levels.

In 2007, the Company will realize a full year's worth of sales and earnings from the 2006 acquisitions of EMC and Home Impressions along with the sales and earnings from the March 2007 acquisition of Dramex, the April 2007 acquisition of Noll and the August 2007 acquisition of Florence, which will help to offset anticipated declines from our organic business.

**Liquidity and Capital Resources**

The Company's principal capital requirements are to fund its operations, including working capital, the purchase and funding of improvements to its facilities, machinery and equipment and to fund acquisitions.

The Company's shareholders' equity increased by approximately \$18.8 million or 3.4%, to \$569.0 million, at September 30, 2007. This increase in shareholder's equity was primarily due to net income of \$14.6 million, a \$9.5 million increase in the foreign currency translation adjustment, equity compensation of \$2.0 million, partially offset by the declaration of approximately \$6.0 million in shareholder dividends, and a \$0.8 million reduction due to the cumulative effect of the adoption of FASB Interpretation No. 48 and a \$0.5 million net of tax decline in the fair market value of interest rate swaps.

During the first nine months of 2007, the Company's working capital (inclusive of the impact of working capital acquired with Dramex, Noll and Florence, and excluding discontinued operations) increased by approximately \$52.8 million, or 18.0%, to approximately \$346.6 million. This increase in working capital was primarily the result of increases in cash, accounts receivable and inventory of \$19.3 million, \$45.8 million, and \$9.0 million, respectively. These increases in current assets were offset by increases in accounts payable of \$23.9 million.

Net cash provided by continuing operating activities for the nine months ended September 30, 2007 was approximately \$75.9 million and was primarily the result of income from continuing operations of \$31.4 million combined with depreciation and amortization of \$23.8 million, increases in accounts receivable and accounts payable of \$22.4 million and \$13.6 million, respectively, and decreases in inventories of \$27.7 million. The increases in accounts receivable are a result of the third quarter being a traditionally strong selling season of the Company, while the reduction in inventories reflects the Company's focus on improving inventory turnover.

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During 2007, the Company's net borrowings from its credit facility of approximately \$145.6 million, along with the \$91.9 million in cash generated from operations were used to purchase the outstanding stock of Dramex and Florence, and acquire certain assets from Noll for approximately \$204.0 million, fund capital expenditures of \$12.8 million, and pay dividends of \$4.5 million.

**Senior Credit Facility and Senior Subordinated Notes**

The Company's credit agreement provides a revolving credit facility, which expires in December 2012, and a term loan, which is due in December 2012. The revolving credit facility of up to \$375.0 million and the term loan of \$122.1 million are secured with the Company's accounts receivable, inventories and personal property and equipment. At September 30, 2007, the Company had used approximately \$222.4 million of the revolving credit facility and had letters of credit outstanding of \$19.8 million, resulting in \$132.8 million in availability. Borrowings under the revolving credit facility carry interest at LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 7.1% at September 30, 2007. At September 30, 2007, the term loan balance was \$122.1 million. Borrowings under the term loan carry interest at LIBOR plus a fixed rate. The rate in effect on September 30, 2007 was 6.95%.

The Company's \$204.0 million of 8% senior subordinated notes were issued in December 2005 at a discount to yield 8.25%. Provisions of the 8% notes include, without limitation, restrictions on indebtedness liens, distributions from restricted subsidiaries, asset sales, affiliate transactions, dividends and other restricted payments. Prior to December 1, 2008, up to 35% of the 8% notes are redeemable at the option of the Company from the proceeds of an equity offering at a premium of 108% of the face value, plus accrued and unpaid interest. After December 1, 2010 the notes are redeemable at the option of the Company, in whole or in part, at the redemption price (as defined in the notes agreement), which declines annually from 104% to 100% on and after December 1, 2013. In the event of a Change of Control (as defined in the indenture for such notes), each holder of the 8% Notes may require the Company to repurchase all or a portion of such holder's 8% Notes at a purchase price equal to 101% of the principal amount thereof. The 8% Notes are guaranteed by certain existing and future domestic subsidiaries and are not subject to any sinking fund requirements.

The Company's various loan agreements, which do not require compensating balances, contain provisions that limit additional borrowings and require maintenance of minimum net worth and financial ratios. At September 30, 2007 the Company was in compliance with terms and provisions of all of its financing agreements.

For the remainder of 2007, the Company continues to focus on maximizing positive cash flow, working capital management and debt reduction. As of September 30, 2007, the Company believes that availability of funds under its existing credit facility together with the cash generated from operations will be sufficient to provide the Company with the liquidity and capital resources necessary to support its principal capital requirements, including operating activities, capital expenditures, and dividends.

The Company evaluates potential acquisitions on the basis of their ability to enhance the Company's existing products, operations, or capabilities, as well as provide access to new products, markets and customers. Although no assurances can be given that any acquisition will be consummated, the Company may finance such acquisitions through a number of sources including internally available cash resources, new debt financing, the issuance of equity securities or any combination of the above.

**Contractual Obligations and Commercial Commitments**

Our contractual obligations and commercial commitments have not changed materially, including the impact from FIN 48, from the disclosures in our 2006 Form 10-K.

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**Critical Accounting Policies**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make decisions based upon estimates, assumptions, and factors it considers relevant to the circumstances. Such decisions include the selection of applicable principles and the use of judgment in their application, the results of which could differ from those anticipated.

A summary of the Company's significant accounting policies are described in Note 1 of the Company's consolidated financial statements included in the Company's Annual Report to Shareholders for the year ended December 31, 2006, as filed on Form 10-K.

There have been no significant changes in critical accounting policies in the current year from those described in our 2006 Form 10-K.

The Company adopted the provisions of FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 as discussed in Note 3 to the consolidated financial statements included in Item 1, herein.

**Related Party Transactions**

In connection with the acquisition of Construction Metals, the Company entered into two unsecured subordinated notes each in the amount of \$8,750,000 (aggregate total of \$17,500,000). These notes were payable to the two former owners of Construction Metals and were considered to be related party transactions due to the former owners continuing employment relationship with the Company. These notes were payable in annual principal installments of \$2,917,000 per note on April 1, and were satisfied on April 1, 2006. These notes required quarterly interest payments at an interest rate of 5.0% per annum. Interest expense related to these notes was approximately \$72,000 for the nine months ended September 30, 2006.

The Company has certain operating lease agreements related to operating locations and facilities with the former owners of Construction Metals or companies controlled by these parties. These operating leases are considered to be related party in nature. Rental expense associated with these related party operating leases aggregated approximately \$1,094,000 and \$1,015,000 for the nine months ended September 30, 2007 and 2006, respectively.

Two members of our Board of Directors are partners in law firms that provide legal services to the Company. For the nine months ended September 30, 2007 and 2006, the Company incurred \$1,692,000 and \$1,413,000, respectively, for legal services from these firms. Of the amount incurred, \$1,040,000 and \$1,116,000, was expensed during the nine months ended September 30, 2007 and 2006, respectively. \$652,000 and \$297,000 were capitalized as acquisition costs and deferred debt issuance costs during the nine months ended September 30, 2007 and 2006, respectively. At September 30, 2007 and 2006, the Company had \$124,000 and \$295,000, respectively, recorded in accounts payable for these law firms.

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**Forward-Looking Information – Safe Harbor Statement**

Certain information set forth herein contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about the Company's business, and management's beliefs about future operating results and financial position. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions. Statements by the Company, other than historical information, constitute forward looking statements as defined within the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on forward-looking statements. Such statements are based on current expectations, are inherently uncertain, are subject to risks and should be viewed with caution. Actual results and experience may differ materially from the forward-looking statements. Factors that could affect these statements include, but are not limited to, the following: the impact of changing steel prices on the Company's results of operations; changes in raw material pricing and availability; changing demand for the Company's products and services; and changes in interest or tax rates. In addition, such forward-looking statements could also be affected by general industry and market conditions, as well as general economic and political conditions.

The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law or regulation.

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**Item 3. Qualitative and Quantitative Disclosures About Market Risk**

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition and raw materials pricing and availability. In addition, the Company is exposed to market risk and interest rate risk, primarily related to its long-term debt. To manage interest rate risk, the Company uses both fixed and variable interest rate debt. There have been no material changes to the Company's exposure to market risk or interest rate risk since December 31, 2006.

**Item 4. Controls and Procedures**

**(a) Evaluation of Disclosure Controls and Procedures**

The Company maintains a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) designed to provide reasonable assurance as to the reliability of the financial statements and other disclosures contained in this report. The Company's Chief Executive Officer and Chairman of the Board, President and Chief Operating Officer, and Executive Vice President, Chief Financial Officer, and Treasurer evaluated the effectiveness of the Company's disclosure controls as of the end of the period covered in this report. Based upon that evaluation, the Company's Chief Executive Officer and Chairman of the Board, President and Chief Operating Officer, Executive Vice President, Chief Financial Officer, and Treasurer, have concluded that the Company's disclosure controls and procedures were designed and functioning effectively to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

**(b) Changes in Internal Controls**

There have been no changes in the Company's internal control over financial reporting (as defined by Rule 13a-15(f) that occurred during the period covered by the report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 1A. Risk Factors

There is no change to the risk factors disclosed in our 2006 annual report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

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

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

6(a) Exhibits

- a. Exhibit 31.1 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- b. Exhibit 31.2 Certification of President and Chief Operating Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- c. Exhibit 31.3 Certification of Executive Vice President, Chief Financial Officer and Treasurer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- d. Exhibit 32.1 Certification of the Chairman of the Board and Chief Executive Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
- e. Exhibit 32.2 Certification of the President and Chief Operating Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
- f. Exhibit 32.3 Certification of the Executive Vice President, Chief Financial Officer, and Treasurer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

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**SIGNATURES**

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

**GIBRALTAR INDUSTRIES, INC.**

(Registrant)

/s/ Brian J. Lipke  
Brian J. Lipke  
Chairman of the Board  
and Chief Executive Officer

/s/ Henning Kornbrekke  
Henning Kornbrekke  
President and Chief Operating Officer

/s/ David W. Kay  
David W. Kay  
Executive Vice President, Chief Financial  
Officer,  
and Treasurer

Date: November 9, 2007

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