GIBRALTAR INDUSTRIES, INC.
Form 10-Q
August 08, 2008

Table of Contents

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

(Mark one)

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

For the quarterly period ended June 30, 2008

OR

o **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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of August 4, 2008, the number of common shares outstanding was: 29,943,340.

GIBRALTAR INDUSTRIES, INC.
INDEX

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2008 (unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 26,692	$ 35,287
Accounts receivable, net of reserve of $4,039 and $3,482 in 2008 and 2007, respectively	214,008	167,595
Inventories	228,745	212,909
Other current assets	19,193	20,362
Assets of discontinued operations	1,536	4,592
Total current assets	490,174	440,745
Property, plant and equipment, net	266,791	273,283
Goodwill	458,386	453,228
Acquired intangibles	98,398	96,871
Investments in partnerships	2,891	2,644
Other assets	14,687	14,637
	$ 1,331,327	$ 1,281,408
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 150,412	$ 89,551
Accrued expenses	54,292	41,062
Current maturities of long-term debt	2,728	2,955
Liabilities of discontinued operations		657
Total current liabilities	207,432	134,225
Long-term debt	435,583	485,654
Deferred income taxes	78,993	78,071
Other non-current liabilities	16,315	15,698
Shareholders equity:		
Preferred stock, $0.01 par value; authorized: 10,000,000 shares; none outstanding		
Common stock, $0.01 par value; authorized 50,000,000 shares; issued 30,007,494 and 29,949,229 shares in 2008 and 2007	300	300
Additional paid-in capital	221,921	219,087

Retained earnings	361,749	337,929
Accumulated other comprehensive income	9,462	10,837
	593,432	568,153
Less: cost of 64,154 and 61,467 common shares held in treasury in 2008 and 2007	428	393
Total shareholders equity	593,004	567,760
	$ 1,331,327	$ 1,281,408

See accompanying notes to consolidated financial statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net sales	$ 379,208	$ 356,208	$ 704,756	$ 660,546
Cost of sales	296,617	290,156	566,415	542,743
Gross profit	82,591	66,052	138,341	117,803
Selling, general and administrative expense	43,816	37,284	81,264	71,620
Income from operations	38,775	28,768	57,077	46,183
Other (income) expense:				
Equity in partnerships income and other income	(267)	(305)	(361)	(667)
Interest expense	6,932	7,850	14,722	14,691
Total other expense	6,665	7,545	14,361	14,024
Income before taxes	32,110	21,223	42,716	32,159
Provision for income taxes	11,839	8,193	15,327	12,090
Income from continuing operations	20,271	13,030	27,389	20,069
Discontinued operations:				
Loss from discontinued operations before taxes	(250)	(1,773)	(913)	(3,143)
Income tax benefit	(92)	(669)	(337)	(1,168)
Loss from discontinued operations	(158)	(1,104)	(576)	(1,975)
Net income	$ 20,113	$ 11,926	$ 26,813	$ 18,094
Net income per share Basic:				
Income from continuing operations	$ .68	$ .44	$ .91	$ .67
Loss from discontinued operations	(.01)	(.04)	(.02)	(.06)
Net income	$ .67	$ .40	$ .89	$ .61
Weighted average shares outstanding Basic	29,980	29,863	29,963	29,850
Net income per share Diluted:				
Income from continuing operations	$ .67	$ .43	$ .91	$ .67
Loss from discontinued operations		(.03)	(.02)	(.07)
Net income	$ .67	$ .40	$ .89	$ .60

Weighted average shares outstanding	Diluted	30,139	30,144	30,129	30,096

Table of Contents

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

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Cash flows from operating activities		
Net income	$ 26,813	$ 18,094
Income from discontinued operations	(576)	(1,975)
Income from continuing operations	27,389	20,069
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,133	15,570
Provision for deferred income taxes	(952)	(229)
Equity in partnerships loss (income) and other income	(270)	(576)
Distributions from partnerships	264	493
Stock compensation expense	2,712	1,254
Other noncash adjustments	1,251	528
Increase (decrease) in cash resulting from changes in (net of acquisitions and dispositions):		
Accounts receivable	(46,990)	(28,627)
Inventories	(16,046)	14,539
Other current assets and other assets	1,180	1,221
Accounts payable	60,060	25,668
Accrued expenses and other non-current liabilities	13,366	(2,946)
Net cash provided by continuing operations	60,097	46,964
Net cash provided by discontinued operations	1,662	7,892
Net cash provided by provided by operating activities	61,759	54,856
Cash flows from investing activities		
Acquisitions, net of cash acquired	(8,222)	(84,424)
Purchases of property, plant and equipment	(9,440)	(9,254)
Net proceeds from sale of property and equipment	540	373
Net cash used in investing activities from continuing operations	(17,122)	(93,305)
Net cash provided by (used in) investing activities for discontinued operations	161	(38)
Net cash used in investing activities	(16,961)	(93,343)
Cash flows from financing activities		
Long-term debt reduction	(93,922)	(1,654)
Proceeds from long-term debt	43,439	52,485
Payment of deferred financing costs	(4)	(8)

Payment of dividends	(2,993)	(2,983)
Purchase of treasury stock	(35)	
Net proceeds from issuance of common stock		93
Tax benefit from equity compensation	122	
Net cash (used in) provided by financing activities	(53,393)	47,933
Net (decrease) increase in cash and cash equivalents	(8,595)	9,446
Cash and cash equivalents at beginning of year	35,287	13,475
Cash and cash equivalents at end of period	$ 26,692	$ 22,921

See accompanying notes to condensed consolidated financial statements

5

Table of Contents

GIBRALTAR INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements as of and for the three and six months ended June 30, 2008 and 2007 have been prepared by Gibraltar Industries, Inc. (the Company or Gibraltar) without audit. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the financial position at June 30, 2008 and December 31, 2007, and the results of operations and cash flows for the three and six months ended June 30, 2008 and 2007, have been included therein in accordance with U.S. Securities and Exchange Commission (SEC) rules and regulations and prepared using the same accounting principles as are used for our annual audited financial statements.

Certain information and footnote disclosures, including significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted in accordance with the prescribed SEC rules. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and footnotes included in the Company s Annual Report to Shareholders for the year ended December 31, 2007, as filed on Form 10-K.

The consolidated balance sheet at December 31, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The results of operations for the three and six month periods ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year.

Table of Contents

2. SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

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

	Comprehensive Income	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders Equity
Balance at January 1, 2008		29,949	$ 300	$ 219,087	$ 337,929	$ 10,837	61	$ (393)	$ 567,760
Comprehensive income:									
Net income	$ 26,813				26,813				26,813
Other comprehensive income (loss):									
Foreign currency translation adjustment	(1,283)								
Amortization of other post retirement health care costs, net of tax of $12	20								
Unrealized loss on interest rate swaps, net of tax of $32	(112)								
Other comprehensive income	(1,375)					(1,375)			(1,375)
Total comprehensive income	$ 25,438								
Equity based compensation expense				2,712					2,712
Cash dividends $.05 per share					(2,993)				(2,993)
Net settlement of restricted stock units		52					3	(35)	(35)
Issuance of restricted stock		6							
				122					122

Tax benefit from equity compensation									
Balance at June 30, 2008	30,007	$ 300	$ 221,921	$ 361,749	$	9,462	64	$ (428)	$ 593,004

The cumulative balance of each component of accumulated other comprehensive income, 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 income
Balance at January 1, 2008	$ 12,610	$ 42	$ (604)	$ (1,211)	$ 10,837
Current period change	(1,283)		20	(112)	(1,375)
Balance at June 30, 2008	$ 11,327	$ 42	$ (584)	$ (1,323)	$ 9,462

Table of Contents

3. FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS 157 defines fair value based upon an exit price model.

Relative to SFAS 157, the FASB issued FASB Staff Positions (FSP) 157-1 and 157-2. FSP 157-1 amends SFAS 157 to exclude SFAS No. 13, Accounting for Leases, (SFAS 13) and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of the application of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

We adopted SFAS 157 as of January 1, 2008, with the exception of the application of the statement to nonfinancial assets and nonfinancial liabilities. Nonfinancial assets and nonfinancial liabilities for which we have not applied the provisions of SFAS 157 include those measured at fair value in goodwill impairment testing, indefinite lived intangible assets measured at fair value for impairment testing and those initially measured at fair value in a business combination. The impact of adopting SFAS 157 was not significant.

SFAS 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2008 (in thousands):

	Asset (Liability)	Level 1	Level 2	Level 3
Interest rate swap	(2,218)		(2,218)	

Interest rate swaps are over the counter securities with no quoted readily available Level 1 inputs, and therefore, are measured at fair value using inputs that are directly observable in active markets and are classified within Level 2 of the valuation hierarchy, using the income approach.

4. EQUITY-BASED COMPENSATION

The Gibraltar Industries, Inc. 2005 Equity Incentive Plan (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 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.

Table of Contents

During the six months ended June 30, 2008, the Company issued 163,774 restricted stock units with a grant date fair value of $15.08 per unit, issued 6,000 restricted shares with a grant date fair value of $14.84 per share, and granted 113,300 non-qualified stock options with a weighted average grant date fair value of $3.95 per option. During the six months ended June 30, 2007, the Company issued 98,672 restricted stock units with a weighted average grant date fair value of $23.10, issued 6,000 restricted shares with a grant date fair value of $21.46, and granted 15,800 non-qualified stock options with a weighted average grant date fair value of $10.22 per option.

The Management Stock Purchase Plan (MSPP) is an integral component of the 2005 Equity Incentive Plan and 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 together with a Company match in restricted stock units 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 a termination of their employment with the Company. The matching portion vests 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.

The fair value of restricted stock units held in the MSPP equals the trailing 200 day closing price of our common stock as of the last day of the period. During the six months ended June 30, 2008 and 2007, 63,274 and 65,576 restricted stock units, respectively, were credited to participant accounts. At June 30, 2008, the value of the restricted stock units in the MSPP was $14.14 per share.

5. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2008	December 31, 2007
Raw material	$ 92,060	$ 81,220
Work-in process	39,605	33,343
Finished goods	97,080	98,346
Total inventories	$ 228,745	$ 212,909

6. ACQUISITIONS

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 mailboxes and postal accessories. The acquisition of Home Impressions served to strengthen the Company s position in the mailbox 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) have been 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.

Table of Contents

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 $420,000 and $402,000 of such additional consideration during the six months ended June 30, 2008 and 2007, respectively. These payments were recorded as additional goodwill.

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 strengthens the Company s position in the expanded metal market and provides additional opportunity 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 $22,677,000 in cash and acquisition costs. The purchase price was allocated to the assets acquired and liabilities assumed based upon respective fair values. The identifiable intangible assets consisted of a trademark with a value of $1,795,000 (indefinite useful life), a trademark with a value of $111,000 (5 year estimated useful life) and customer relationships with a value of $1,828,000 (10 year estimated useful life). The excess consideration over fair value was recorded as goodwill and aggregated approximately $11,514,000, 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	$ 5,566
Property, plant and equipment	5,175
Other long term liabilities, net	(3,313)
Identifiable intangible assets	3,735
Goodwill	11,514
	$ 22,677

On April 10, 2007 the Company acquired certain assets and liabilities of Noll Manufacturing Company, and its affiliates (Noll) with locations in California, Oregon and Washington. The assets the Company acquired from Noll are used to manufacture, market and distribute products for the building, heating, ventilation and air conditioning (HVAC), and lawn and garden components of the building products market. The acquisition of Noll is expected to strengthen our manufacturing, marketing and distribution capabilities and 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.

Table of Contents

The aggregate purchase consideration was approximately $63,726,000 in cash and direct acquisition costs. The purchase price has been allocated to the assets acquired and liabilities assumed based upon respective fair values. The valuation resulted in negative goodwill of $9,491,000 which has been allocated to property, plant and equipment and intangibles on a pro rata basis. After giving effect to the allocation of the negative goodwill, the identifiable intangible assets consisted of patents with a value of $57,000 (8 year estimated useful life), customer relationships with a value of $2,679,000 (15 year estimated useful life), non- compete agreements valued at $726,000 (5 year estimated useful life) and trademarks with a value of $3,490,000 (indefinite useful life). The allocation of the purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	$ 22,820
Property, plant and equipment	33,954
Identifiable intangible assets	6,952
	$ 63,726

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 $127,244,000 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. The identifiable intangible assets consisted of unpatented technology and patents with a value of $2,200,000 (10 year estimated useful life), customer contracts with a value of $15,700,000 (13 year estimated useful life), customer relationships with a value of $6,700,000 (15 year estimated useful life) and trademarks with a value of $6,700,000 (indefinite useful life). A final valuation is expected to be completed during the third quarter of 2008. The excess consideration was recorded as goodwill and approximated $75,278,000. 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	12,514
Other assets	265
Identifiable intangible assets	31,300
Goodwill	75,278
	$ 133,740

The Company and the former owners of Florence have made a joint election under Internal Revenue Code (IRC) Section 338(h) (10) which allowed the Company to treat the stock purchase as an asset purchase for tax purposes. In connection with the 338(h)(10) election, and pursuant to the terms of the Stock Purchase Agreement, the Company made additional cash payments to the former shareholders of Florence totaling $7,784,000 during the second quarter of 2008. As a result of the 338(h)(10) election, goodwill in the amount of $75,278,000 is fully deductible for tax purposes.

Table of Contents

7. GOODWILL AND RELATED INTANGIBLE ASSETS

Goodwill

The changes in the approximate carrying amount of goodwill by reportable segment for the six months ended June 30, 2008 is as follows (in thousands):

	Building Products Segment	Processed Metal Products Segment	Total
Balance as of January 1, 2008	$ 445,072	$ 8,156	$ 453,228
Additional consideration	8,222		8,222
Adjustments to prior year acquisitions	(3,535)		(3,535)
Foreign currency translation	223	248	471
Balance as of June 30, 2008	$ 449,982	$ 8,404	$ 458,386

Acquired Intangible Assets

Acquired intangible assets at June 30, 2008 are as follows (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Estimated Life
Trademark / Trade Name	$ 42,994	$	indefinite
Trademark / Trade Name	2,140	(509)	2 to 15 years
Unpatented Technology	7,475	(1,827)	5 to 20 years
Customer Relationships	54,415	(8,396)	5 to 15 years
Non-Competition Agreements	4,391	(2,285)	5 to 10 years
Balance as of June 30, 2008	$ 111,415	$ (13,017)	

Acquired intangible asset amortization expense for the three and six month periods ended June 30, 2008 and 2007 aggregated approximately $1,542,000 and $3,124,000 and $874,000 and $1,815,000, respectively.

Amortization expense related to acquired intangible assets for the remainder of fiscal 2008 and the next five years thereafter is estimated as follows (in thousands):

2008	$ 3,085
2009	$ 6,118
2010	$ 6,048
2011	$ 5,868
2012	$ 5,732
2013	$ 5,303

Table of Contents

8. DISCONTINUED OPERATIONS

As part of its continuing evaluation of its businesses during 2007, the Company determined that both its bath 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 the business. On September 27, 2007, the Company committed to a plan to dispose of the assets of its steel service center business. We expect to complete the liquidation of the remaining assets of the bath cabinet manufacturing business during 2008. The steel service center business was previously included in the Processed Metal Products segment and the bath cabinet manufacturing business was previously reported in the Building Products segment.

In accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), the results of operations for the bath cabinet manufacturing and steel service center businesses have been classified as discontinued operations in the 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 $399,000 and $795,000 was allocated to discontinued operations during the three and six months ended June 30, 2007, respectively. No interest was allocated to discontinued operations during the three and six months ended June 30, 2008.

Components of the loss from discontinued operations are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net sales	$	$ 13,612	$	$ 26,858
Expenses	250	15,385	913	30,001
Loss from discontinued operations before taxes	$ (250)	$ (1,773)	$ (913)	$ (3,143)

9. NET INCOME PER SHARE

Basic income per share is based on the weighted average number of common shares outstanding. Diluted 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 its equity compensation 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 of the options assumed to be exercised and the unrecognized expense related to the restricted stock and restricted stock unit awards assumed to have vested. Income from discontinued operations per share is rounded for presentation purposes to allow net income per share to foot.

Table of Contents

The following table sets forth the computation of basic and diluted earnings per share as of June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Numerator:				
Income from continuing operations	$ 20,271,000	$ 13,030,000	$ 27,389,000	$ 20,069,000
Income from discontinued operations	(158,000)	(1,104,000)	(576,000)	(1,975,000)
Income available to common stockholders	$ 20,113,000	$ 11,926,000	$ 26,813,000	$ 18,094,000
Denominator for basic income per share:				
Weighted average shares outstanding	29,980,076	29,863,030	29,963,470	29,849,977
Denominator for diluted income per share:				
Weighted average shares outstanding	29,980,076	29,863,030	29,963,470	29,849,977
Common stock options and restricted stock	159,062	281,205	165,982	246,248
Weighted average shares and conversions	30,139,138	30,144,235	30,129,452	30,096,225

10. RELATED PARTY TRANSACTIONS

Two members of our Board of Directors are partners in law firms that provide legal services to the Company. For the six months ended June 30, 2008 and 2007, the Company incurred $673,000 and $989,000, respectively, for legal services from these firms. Of the amount incurred, $673,000 and $714,000, was expensed during the six months ended June 30, 2008 and 2007, respectively. $275,000 was capitalized as acquisition costs and deferred debt issuance costs during the six months ended June 30, 2007.

At June 30, 2008 and December 31, 2007, the Company had $110,000 and $185,000, respectively, recorded in accounts payable for these law firms.

A member of our Board of Directors is Vice Chairman of the Board of one of the participating lenders in our Second Amended and Restated Credit Agreement dated August 31, 2007 (the Credit Agreement). The Credit Agreement provides a $375,000,000 revolving facility and a $122,700,000 term loan. At June 30, 2008 and December 31, 2007 $144,000,000 and $87,030,000 and $157,916,000 and $121,550,000 were outstanding on the revolving facility and the term loan, respectively.

11. BORROWINGS UNDER REVOLVING CREDIT FACILITY

The aggregate borrowing limit under the Company s revolving credit facility is $375,000,000. At June 30, 2008, the Company had $220,457,000 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 for the three and six months ended June 30 (in thousands):

	Pension Benefit			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Service cost	$ 37	$ 42	$ 74	$ 82
Interest cost	40	39	80	70
Net periodic benefit costs	$ 77	$ 81	$ 154	$ 152

	Other Post Retirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Service cost	$ 18	$ 32	$ 36	$ 58
Interest cost	62	60	124	116
Amortization of unrecognized prior service cost	(5)	(5)	(10)	(10)
Loss amortization	21	34	42	62
Net periodic benefit costs	$ 96	$ 121	$ 192	$ 226

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; and

(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.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net sales				
Building Products	$ 281,058	$ 258,209	$ 510,381	$ 463,347
Processed Metal Products	98,150	97,999	194,375	197,199
	$ 379,208	$ 356,208	$ 704,756	$ 660,546
Income (loss) from operations				
Building Products	$ 39,638	$ 31,172	$ 60,438	$ 49,885
Processed Metal Products	8,425	5,211	12,661	10,549
Corporate	(9,288)	(7,615)	(16,022)	(14,251)
	$ 38,775	$ 28,768	$ 57,077	$ 46,183
Depreciation and amortization				
Building Products	$ 6,401	$ 5,895	$ 13,148	$ 10,707
Processed Metal Products	1,724	1,731	3,444	3,508
Corporate	741	677	1,541	1,355
	$ 8,866	$ 8,303	$ 18,133	$ 15,570
Capital expenditures (excluding acquisitions)				
Building Products	$ 3,815	$ 2,428	$ 7,504	$ 6,379
Processed Metal Products	682	1,137	1,486	2,035
Corporate	236	340	450	840
	$ 4,733	$ 3,905	$ 9,440	$ 9,254

	June 30, 2008 (unaudited)	December 31, 2007
Total identifiable assets		
Building Products	$ 1,062,121	$ 1,001,541
Processed Metal Products	230,288	219,014
Corporate	38,918	60,853
	$ 1,331,327	$ 1,281,408

Table of Contents

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.

Table of Contents

Gibraltar Industries, Inc.
Consolidating Balance Sheets
June 30, 2008
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 11,019	$ 15,673	$	$ 26,692
Accounts receivable		185,039	28,969		214,008
Intercompany balances	208,733	(188,283)	(20,450)		
Inventories		214,067	14,678		228,745
Other current assets		18,152	1,041		19,193
Assets of discontinued operations		1,536			1,536
Total current assets	208,733	241,530	39,911		490,174
Property, plant and equipment, net		245,768	21,023		266,791
Goodwill		417,391	40,995		458,386
Acquired intangibles		81,625	16,773		98,398
Investments in partnerships		2,891			2,891
Other assets	5,419	9,065	203		14,687
Investment in subsidiaries	581,425	90,037		(671,462)	
	795,577	1,088,307	118,905	(671,462)	1,331,327
Liabilities and Shareholders Equity					
Current liabilities:					
Accounts payable		133,430	16,982		150,412
Accrued expenses	1,360	48,701	4,231		54,292
Current maturities of long-term debt		2,728			2,728
Total current liabilities	1,360	184,859	21,213		207,432
Long-term debt	201,213	234,370			435,583
Deferred income taxes		71,840	7,153		78,993
Other non-current liabilities		15,813	502		16,315
Shareholders equity	593,004	581,425	90,037	(671,462)	593,004
	$ 795,577	$ 1,088,307	$ 118,905	$ (671,462)	$ 1,331,327

Table of Contents

Gibraltar Industries, Inc.
Consolidating Balance Sheets
December 31, 2007
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 11,090	$ 24,197	$	$ 35,287
Accounts receivable, net		146,379	21,216		167,595
Intercompany balances	210,891	(191,268)	(19,623)		
Inventories		199,516	13,393		212,909
Other current assets		19,524	838		20,362
Assets of discontinued operations		4,592			4,592
Total current assets	210,891	189,833	40,021		440,745
Property, plant and equipment, net		251,233	22,050		273,283
Goodwill		405,869	47,359		453,228
Acquired intangibles		83,762	13,109		96,871
Investments in partnerships		2,644			2,644
Other assets	5,781	8,621	235		14,637
Investment in subsidiaries	553,526	98,883		(652,409)	
	$ 770,198				