

GIBRALTAR INDUSTRIES, INC.

Form 10-Q

August 06, 2009

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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 **June 30, 2009**

**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  
(State or other jurisdiction of  
incorporation or organization)

16-1445150  
(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 checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

As of August 3, 2009, the number of common shares outstanding was: 30,139,366

GIBRALTAR INDUSTRIES, INC.  
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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,115	\$ 11,308
Accounts receivable, net of reserve of \$7,674 and \$6,713 in 2009 and 2008, respectively	123,885	123,272
Inventories	118,551	189,935
Other current assets	27,841	22,228
Assets of discontinued operations	1,435	1,486
Total current assets	288,827	348,229
Property, plant and equipment, net	236,719	243,619
Goodwill	420,518	443,925
Acquired intangibles	85,589	87,373
Investment in partnership	2,505	2,477
Other assets	17,074	20,736
	\$ 1,051,232	\$ 1,146,359
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 74,885	\$ 76,168
Accrued expenses	35,546	46,305
Current maturities of long-term debt	2,708	2,728
Total current liabilities	113,139	125,201
Long-term debt	303,160	353,644
Deferred income taxes	68,880	79,514
Other non-current liabilities	18,614	19,513
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; 30,284,359 and 30,061,550 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	303	301
Additional paid-in capital	225,430	223,561

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Retained earnings	328,463	356,007
Accumulated other comprehensive loss	(5,575)	(10,825)
	548,621	569,044
Less: cost of 150,993 and 75,050 common shares held in treasury at June 30, 2009 and December 31, 2008, respectively	1,182	557
Total shareholders' equity	547,439	568,487
	\$ 1,051,232	\$ 1,146,359

See accompanying notes to consolidated financial statements

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net sales	\$ 217,055	\$ 347,173	\$ 421,898	\$ 641,111
Cost of sales	179,604	268,475	371,434	510,297
Gross profit	37,451	78,698	50,464	130,814
Selling, general and administrative expense	27,156	41,347	57,836	76,435
Goodwill impairment			25,501	
Income (loss) from operations	10,295	37,351	(32,873)	54,379
Other expense (income)				
Interest expense	5,779	7,261	11,746	15,323
Equity in partnership s income and other income	(126)	(270)	(107)	(423)
Total other expense	5,653	6,991	11,639	14,900
Income (loss) before taxes	4,642	30,360	(44,512)	39,479
Provision for (benefit of) income taxes	5,226	11,377	(16,376)	14,472
(Loss) income from continuing operations	(584)	18,983	(28,136)	25,007
Discontinued operations:				
Income from discontinued operations before taxes	612	1,500	508	2,324
(Benefit of) provision for income taxes	(44)	370	(84)	518
Income from discontinued operations	656	1,130	592	1,806
Net income (loss)	\$ 72	\$ 20,113	\$ (27,544)	\$ 26,813
Net (loss) income per share Basic:				
(Loss) income from continuing operations	\$ (0.02)	\$ 0.63	\$ (0.93)	\$ 0.83
Income from discontinued operations	0.02	0.04	0.02	0.06
Net income (loss)	\$ 0.00	\$ 0.67	\$ (0.91)	\$ 0.89
Weighted average shares outstanding Basic	30,142	29,980	30,108	29,963
Net (loss) income per share Diluted:				
(Loss) income from continuing operations	\$ (0.02)	\$ 0.63	\$ (0.93)	\$ 0.83
Income from discontinued operations	0.02	0.04	0.02	0.06

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Net income (loss)		\$ 0.00	\$ 0.67	\$ (0.91)	\$ 0.89
Weighted average shares outstanding	Diluted	30,142	30,139	30,108	30,129

See accompanying notes to consolidated financial statements

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

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities		
Net (loss) income	\$ (27,544)	\$ 26,813
Income from discontinued operations	592	1,806
(Loss) income from continuing operations	(28,136)	25,007
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	16,145	17,028
Goodwill impairment	25,501	
Provision for deferred income taxes	(10,749)	(947)
Equity in partnership's income and other income	(29)	(270)
Distributions from partnership		264
Stock compensation expense	2,520	2,712
Noncash charges to interest expense	1,045	984
Other	(698)	1,251
Increase (decrease) in cash resulting from changes in (net of dispositions):		
Accounts receivable	3,727	(45,865)
Inventories	72,859	(16,184)
Other current assets and other assets	(7,725)	463
Accounts payable	(1,256)	57,235
Accrued expenses and other non-current liabilities	(8,620)	12,013
Net cash provided by operating activities from continuing operations	64,584	53,691
Net cash provided by operating activities from discontinued operations	556	8,068
Net cash provided by operating activities	65,140	61,759
Cash flows from investing activities		
Additional consideration for acquisitions	(354)	(8,222)
Purchases of property, plant and equipment	(6,432)	(9,198)
Net proceeds from sale of property and equipment	226	540
Net cash used in investing activities for continuing operations	(6,560)	(16,880)
Net cash used in investing activities for discontinued operations		(81)
Net cash used in investing activities	(6,560)	(16,961)
Cash flows from financing activities		
Long-term debt reduction	(81,449)	(92,368)



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Proceeds from long-term debt	30,800	42,985
Payment of deferred financing costs		(4)
Payment of dividends	(1,499)	(2,993)
Purchase of treasury stock at market prices	(625)	(35)
Tax benefit from equity compensation		122
Net cash used in financing activities for continuing operations	(52,773)	(52,293)
Net cash used in financing activities for discontinued operations		(1,100)
Net cash used in financing activities	(52,773)	(53,393)
Net increase (decrease) in cash and cash equivalents	5,807	(8,595)
Cash and cash equivalents at beginning of year	11,308	35,287
Cash and cash equivalents at end of period	\$ 17,115	\$ 26,692

See accompanying notes to consolidated financial statements

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

(Unaudited)

**1. CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements as of June 30, 2009 and 2008, 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 at June 30, 2009 and the results of operations and cash flows for the three and six months ended June 30, 2009 and 2008, 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, 2008, as filed on Form 10-K.

The consolidated balance sheet at December 31, 2008 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. Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

The results of operations for the three and six month periods ended June 30, 2009, are not necessarily indicative of the results to be expected for the full year.

The Company evaluated subsequent events through the date the consolidated financial statements were filed, August 6, 2009. See Note 13 of the consolidated financial statements for the disclosure of a material subsequent event.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) 157-4,

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. FSP 157-4 provides additional guidance for estimating fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009 and shall be applied prospectively. The Company adopted the provisions of FSP 157-4 effective April 1, 2009 and its impact on the Company's consolidated financial position, cash flows, and results of operations was not significant.

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In April 2009, the FASB issued FSP SFAS 107-1 and Accounting Principles Board (APB) 28-1, Interim Disclosures about Fair Value of Financial Instruments . The FSP amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB 28-1, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. The Company adopted the provisions of FSP SFAS 107-1 and APB 28-1 during the three months ended June 30, 2009. Refer to the disclosures included in Note 4 of the consolidated financial statements.

In May 2008, the FASB issued SFAS No. 165, Subsequent Events, to establish principles and requirements for subsequent events. The Standard sets forth the date after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements. The Standard also identifies the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures an entity shall make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009, and shall be applied prospectively. The Company adopted the provisions of SFAS No. 165 during the three months ended June 30, 2009. Refer to the disclosures included in Note 1 and Note 13 of the consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of SFAS No. 140, to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferors continuing involvement in transferred financial assets. This Statement shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not believe the provisions of SFAS No. 166 will have a significant impact on the Company s consolidated financial position, cash flows, or results of operations.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R), to amend certain requirements of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This Statement shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not believe the provisions of SFAS No. 167 will have a significant impact on the Company s consolidated financial position, cash flows, or results of operations.

In June 2009, the FASB issued FASB No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of SFAS No. 162 . SFAS No. 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This Statement shall be effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company does not believe the provisions of SFAS No. 168 will have a significant impact on the Company s consolidated financial statements other than changing the method used to refer to U.S. generally accepted accounting principles within the Company s disclosures.

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The changes in shareholders equity consist of (in thousands):

	Common Shares	Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Shares	Stock Amount	Total Shareholders Equity
Balance at December 31, 2008	30,062	\$ 301	\$ 223,561	\$ 356,007	\$ (10,825)	75	\$ (557)	\$ 568,487
Net loss				(27,544)				(27,544)
Other comprehensive (loss) income:								
Foreign currency translation adjustment					4,636			4,636
Adjustment to post employment health care liability, net of tax of \$9					15			15
Unrealized gain on interest rate swaps, net of tax of \$346					599			599
Equity based compensation expense			2,520					2,520
Net settlement of restricted stock units	222	2	(2)			76	(625)	(625)
Tax adjustment from equity compensation			(649)					(649)
Balance at June 30, 2009	30,284	\$ 303	\$ 225,430	\$ 328,463	\$ (5,575)	151	\$ (1,182)	\$ 547,439

Total comprehensive income (loss) consists of the following for the three and six months ending June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income (loss)	\$ 72	\$ 20,113	\$ (27,544)	\$ 26,813
Other comprehensive income (loss):				
Foreign currency translation adjustment	6,669	597	4,636	(1,283)
Adjustment to post employment health care liability, net of tax	8	4	15	20
Unrealized gain (loss) on interest rate swaps, net of tax	298	1,092	599	(112)

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Other comprehensive income (loss)	6,975	1,693	5,250	(1,375)
Total comprehensive income (loss)	\$ 7,047	\$ 21,806	\$ (22,294)	\$ 25,438

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 employment health care costs	Unrealized (loss) gain on interest rate swaps	Accumulated other comprehensive loss
Balance at December 31, 2008	\$ (7,680)	\$ (36)	\$ (683)	\$ (2,426)	\$ (10,825)
Current period change	4,636		15	599	5,250
Balance at June 30, 2009	\$ (3,044)	\$ (36)	\$ (668)	\$ (1,827)	\$ (5,575)

#### 4. 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 No. 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 No. 157 defines fair value based upon an exit price model.

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Relative to SFAS No. 157, the FASB issued FASB Staff Position (FSP) 157-2. FSP 157-2 delayed the effective date of the application of SFAS No. 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 No. 157 as of January 1, 2008, and FSP 157-2 as of January 1, 2009. Nonfinancial assets and nonfinancial liabilities for which we applied the provisions of FSP 157-2 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 No. 157 and FSP 157-2 was not significant to the consolidated balance sheet, operations or cash flows.

SFAS No. 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, 2009 (in thousands):

	Asset (Liability)	Level 1	Level 2	Level 3
Interest rate swap	\$(3,011)	\$	\$(3,011)	\$

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.

The Company applied the provisions of SFAS No. 157 and FSP 157-2 during the goodwill impairment tests performed as of March 31, 2009 and June 30, 2009. Step one of the goodwill impairment test consists of determining a fair value for each of the Company's eleven reporting units. The fair values for the Company's reporting units cannot be determined using readily available quoted Level 1 inputs or Level 2 inputs that are observable in active markets. Therefore, the Company used a discounted cash flow valuation model to estimate the fair values of its reporting units, using Level 3 inputs. To estimate the fair values of reporting units, the Company uses significant estimates and judgmental factors. The key estimates and factors used in the discounted cash flow valuation model include revenue growth rates and profit margins based on internal forecasts, terminal value, and the weighted-average cost of capital used to discount future cash flows. See Note 8 of the consolidated financial statements for the results of the Company's March 31, 2009 and June 30, 2009 goodwill impairment tests.

The Company's financial instruments primarily consist of cash and cash equivalents, accounts receivable, note receivable, accounts payable, long-term debt and interest rate swaps. The carrying values for our financial instruments approximate fair value with the exception, at times, of long-term debt. At June 30, 2009, the fair value of outstanding debt was \$261,450,000 compared to its carrying value of \$305,868,000. The fair value of the Company's Senior Subordinated 8% Notes was estimated based on quoted market prices. Borrowings under the Company's Second Amended and Restated Credit Agreement dated August 31, 2007 bear interest at variable rates and therefore, the carrying value of the borrowings approximate fair value.

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The Third Amendment and Restatement of the Gibraltar Industries, Inc. 2005 Equity Incentive Plan (the 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 Plan provides for the issuance of up to 3,000,000 shares of common stock. Of the total number of shares of common stock issuable under the Plan, 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.

During the six months ended June 30, 2009, the Company issued 175,696 restricted stock units with a grant date fair value of \$11.89 per unit, issued 6,000 restricted shares with a grant date fair value of \$7.92 per share, and granted 12,850 non-qualified stock options with a grant date fair value of \$5.38 per option. During the six months ended June 30, 2008, the Company issued 163,774 restricted stock units with a weighted average 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.

The Management Stock Purchase Plan (MSPP) is an integral component of the Plan and provides participants the ability to defer up to 50% of their annual bonus under the Management Incentive Compensation Plan, a portion of their salary, and Directors' fees. The deferral is converted to restricted stock units and credited to an account together with a Company match in restricted stock units equal to a percentage of 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 service to the Company. The matching portion vests only if the participant has reached their sixtieth birthday. If a participant terminates prior to age sixty, the match is forfeited. Upon termination, the account is converted to a cash account that accrues interest at 2% over the then current ten-year US 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, 2009 and 2008, 115,847 and 63,274 restricted stock units, respectively, were credited to participant accounts. At June 30, 2009, the value of the restricted stock units in the MSPP was \$10.05 per share.

**6. INVENTORIES**

Inventories consist of the following (in thousands):

	June 30, 2009	December 31, 2008
Raw material	\$ 40,635	\$ 78,768
Work-in-process	17,565	25,966
Finished goods	60,351	85,201
Total inventories	\$ 118,551	\$ 189,935

For the six months ended June 30, 2009, the Company recognized a charge of \$2,017,000 within cost of sales to adjust inventory to the lower of cost or market because inventory at cost exceeded the Company's estimate of net realizable value less normal profit margins. There was no charge to adjust inventory to the lower of cost or market for the six months ended June 30, 2008.

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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 mailboxes and postal accessories. The acquisition of Home Impressions served to strengthen the Company's position in the mailbox and storage systems markets, and provides marketing, manufacturing and distribution synergies with our 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.

As part of the purchase agreement with the former owners of Home Impressions, the Company is required to pay additional consideration based upon the operating results of Home Impressions. The Company paid \$354,000 and \$420,000 of such additional consideration during the six months ended June 30, 2009 and 2008, respectively. These payments were recorded as additional goodwill. The Company expects to pay its final additional consideration payment approximating \$4,500,000 during the third quarter of 2009, which will be recorded as additional goodwill.

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 consolidated results of operations.

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 six months ended June 30, 2008. These payments were recorded as additional goodwill. As a result of the 338(h)(10) election, goodwill related to the acquisition of Florence is fully deductible for tax purposes.

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

All goodwill reported on the consolidated balance sheet relates to the Building Products Segment. The changes in the approximate carrying amount of goodwill for the six months ended June 30, 2009 is as follows (in thousands):

Balance as of December 31, 2008	\$ 443,925
Additional consideration	354
Adjustments to prior year acquisitions	(111)
Impairment	(25,501)
Foreign currency translation	1,851
Balance as of June 30, 2009	\$ 420,518



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Acquired intangible assets consist of the following (in thousands):

	June 30, 2009		December 31, 2008		Estimated Life
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Trademark	\$ 41,538	\$	\$ 41,119	\$	indefinite
Trademark	2,105	(653)	2,089	(562)	2 to 15 years
Unpatented Technology	5,731	(1,533)	5,731	(1,272)	5 to 20 years
Customer Relationships	47,906	(10,767)	47,339	(8,511)	5 to 15 years
Non-Competition Agreements	2,795	(1,533)	3,624	(2,184)	5 to 10 years
	\$ 100,075	\$ (14,486)	\$ 99,902	\$ (12,529)	

Acquired intangible asset amortization expense for the three and six months ended June 30, 2009 aggregated approximately \$1,303,000 and \$2,580,000, respectively, and \$1,358,000 and \$2,757,000 for the three and six months ended June 30, 2008, respectively.

Amortization expense related to acquired intangible assets for the remainder of fiscal 2009 and the next five years thereafter is estimated as follows (in thousands):

2009	\$2,607
2010	\$5,194
2011	\$5,134
2012	\$5,009
2013	\$4,706
2014	\$3,768

Based on lower than forecasted sales volumes during the three months ended March 31, 2009, revised long-term growth expectations, and a book value of equity in excess of market capitalization, the Company concluded there were indicators of goodwill impairment requiring an interim impairment test for its eleven reporting units as of March 31, 2009 and June 30, 2009.

Step one of the goodwill impairment test consists of comparing the fair value of a reporting unit, determined using estimated discounted cash flows, with its carrying amount including goodwill. The fair value of each reporting unit with goodwill was estimated using a weighted average cost of capital (WACC) between 12.2% and 12.6% as of June 30, 2009. As of March 31, 2009, the fair value of each reporting unit with goodwill was estimated using a WACC of 12.0%. The WACC increased from the 11.0% WACC used as of December 31, 2008. The WACC is calculated based upon the capital structure of eight market participants in our peer group. A third-party forecast of housing starts was utilized to prepare the estimated cash flows. The reporting unit that serves the automotive sector does not have goodwill.

As of the March 31, 2009 goodwill impairment test, one reporting unit had a carrying amount exceeding the reporting unit's fair value due to a decrease in projected revenues to be generated by the reporting unit. Therefore, the Company initiated step two of the goodwill impairment test which involves calculating the implied fair value of goodwill by allocating the fair value of the reporting unit to its assets and liabilities other than goodwill and comparing it to the carrying amount of goodwill. As a result of step two of the goodwill impairment test, the Company estimated that the implied fair value of goodwill for the reporting unit was less than its carrying value by \$25,501,000, which has been recorded as an impairment charge during the three months ended March 31, 2009. All other reporting units with goodwill had an estimated fair value in excess of their carrying value as of the March 31, 2009 goodwill impairment test. All reporting units with goodwill had an estimated fair value in excess of their carrying value as of the June 30, 2009 goodwill impairment test.



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The following sensitivity analysis discloses the WACC that would lead to a reporting unit failing step one of the goodwill impairment test along with the amount of goodwill associated with the reporting unit (dollar amounts in thousands):

WACC	March 31, 2009 Impairment Test		June 30, 2009 Impairment Test	
	Number of Reporting Units That Would Fail Step One (1)	Goodwill Associated With These Reporting Units	Number of Reporting Units That Would Fail Step One	Goodwill Associated With These Reporting Units
11.50%	1	\$ 74,778,000		\$
11.75%	1	\$ 74,778,000		\$
12.00%	1	\$ 74,778,000		\$
12.25%	3	\$ 116,978,000		\$
12.50%	4	\$ 136,677,000	1	\$ 22,631,000
12.75%	5	\$ 248,176,000	3	\$ 93,629,000
13.00%	5	\$ 248,176,000	6	\$ 227,857,000

- (1) The one reporting unit identified as failing step one of the goodwill impairment test at a WACC of 11.50%, 11.75%, and 12.00% is the reporting unit that was impaired during the three months ended March 31, 2009 as described above. The reporting unit had a goodwill balance of \$74,778,000 prior to the impairment charge and \$49,277,000 after the impairment charge.

The Company will continue to monitor impairment indicators and financial results in future quarters. If cash flows change or if the market value of the Company's stock does not increase, there may be additional impairment charges. Impairment charges could be based on factors such as the Company's stock price, forecasted cash flows, assumptions used, control premiums or other variables.

**9. DISCONTINUED OPERATIONS**

As part of its continuing evaluation of its businesses, the Company determined that its SCM Metal Products subsidiaries (SCM) no longer provided a strategic fit with its long-term growth and operational objectives during 2008. On October 3, 2008, the Company entered into a definitive agreement to sell the issued and outstanding capital stock of SCM, a copper powder metals business, for a purchase price of \$43,702,000. The final purchase price is net of working capital adjustments and transaction fees. The purchase price was payable by delivery of a promissory note in the principal amount of \$8,500,000 payable March 31, 2012, and cash. Interest is payable on the promissory note quarterly at interest rates that increase over time from 8% to 12% per annum. The promissory note is recorded as an other asset on the June 30, 2009 and December 31, 2008 balance sheets. During the three and six months ended June 30, 2009, the Company recorded a \$726,000 gain as a result of an adjustment related to the sale of SCM. During 2007, the Company committed to a plan to dispose of the assets of its bath cabinet manufacturing business. Certain assets of this business have not been disposed of as of June 30, 2009, and the Company continues to incur costs related to those assets.

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 SCM and the bath cabinet manufacturing business 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*. No interest expense was allocated to discontinued operations during the three and six months ended June 30, 2009. Interest expense of \$473,000 and \$1,017,000 was allocated to discontinued operations during the three and six months ended June 30, 2008, respectively.

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Components of the income from discontinued operations for the three and six months ended June 30 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales	\$	\$ 32,035	\$	\$ 63,645
Expenses	(612)	30,535	(508)	61,321
Income from discontinued operations before taxes	\$ 612	\$ 1,500	\$ 508	\$ 2,324

**10. EXIT ACTIVITY COSTS**

The Company has focused on controlling costs and lean manufacturing initiatives which have in part led to the consolidation of its facilities and production lines. The Company has closed and consolidated certain facilities and transferred the production of certain product lines to different plants during 2008 and 2009. During this process, the Company has incurred exit activity costs, including contract termination costs, severance costs, and other moving and closing costs. The following table provides a summary of exit activity costs incurred by segment for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Building Products segment	\$ 376	\$ 553	\$ 648	\$ 1,318
Processed Metal Products segment	47		606	1,333
Total exit activity costs	\$ 423	\$ 553	\$ 1,254	\$ 2,651

The following table provides a summary of the income statement lines the above exit activity costs are included for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Cost of sales	\$ 402	\$ 310	\$ 856	\$ 2,275
Selling, general and administrative expense	21	243	398	376
Total exit activity costs	\$ 423	\$ 553	\$ 1,254	\$ 2,651

The following table reconciles the beginning and ending liability for exit activity costs relating to the Company's facility consolidation efforts (in thousands):

Accrued costs as of December 31, 2008	\$ 1,371
Exit activity costs recognized	1,254
Cash payments	(1,472)
Accrued costs as of June 30, 2009	\$ 1,153

**11. NET INCOME (LOSS) PER SHARE**

Basic income (loss) per share is based on the weighted average number of common shares outstanding. Diluted income (loss) 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 (loss) per share to foot.

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The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Numerator:				
(Loss) income from continuing operations	\$ (584,000)	\$ 18,983,000	\$ (28,136,000)	\$ 25,007,000
Income from discontinued operations	656,000	1,130,000	592,000	1,806,000
Income (loss) available to common stockholders	\$ 72,000	\$ 20,113,000	\$ (27,544,000)	\$ 26,813,000
Denominator for basic income per share:				
Weighted average shares outstanding	30,142,248	29,980,076	30,108,263	29,963,470
Denominator for diluted income per share:				
Weighted average shares outstanding	30,142,248	29,980,076	30,108,263	29,963,470
Common stock options and restricted stock		159,062		165,982
Weighted average shares and conversions	30,142,248	30,139,138	30,108,263	30,129,452

For the three and six months ended June 30, 2009, all stock options, unvested restricted stock, and unvested restricted stock units were anti-dilutive and, therefore, not included in the dilutive loss per share calculation. The number of weighted average stock options, unvested restricted stock, and unvested restricted stock units that were not included in the dilutive loss per share calculation because the effect would have been anti-dilutive was 120,229 and 155,018 shares for the three and six months ended June 30, 2009, respectively.

**12. RELATED PARTY TRANSACTIONS**

Two members of the Company's Board of Directors, Gerald S. Lippes and Arthur A. Russ, Jr., are partners in law firms that provide legal services to the Company. For the three months and six ended June 30, 2009, the Company incurred \$316,000 and \$534,000, respectively, for legal services from these firms. The Company incurred \$367,000 and \$673,000 for legal services from these firms during the three and six months ended June 30, 2008, respectively. All the amounts incurred were expensed during the three and six months ended June 30, 2009 and 2008, respectively. At June 30, 2009 and December 31, 2008, the Company had \$112,000 and \$342,000, respectively, recorded in accounts payable for these law firms.

A member of the Company's Board of Directors, Robert E. Sadler, Jr., is Vice Chairman of the Board of one of the participating lenders in the Company's Second Amended and Restated Credit Agreement dated August 31, 2007 (the 2007 Senior Credit Agreement). As of June 30, 2009, the 2007 Senior Credit Agreement provided a \$375,000,000 revolving facility and a \$122,700,000 term loan. See Note 13 to the financial statements for the amounts outstanding on the revolving facility and the term loan as of June 30, 2009 and December 31, 2008 along with additional disclosures related to the July 24, 2009 amendment and restatement of the 2007 Senior Credit Agreement.

**Table of Contents****13. LONG-TERM DEBT**

Long-term debt consists of the following (in thousands):

	June 30, 2009	December 31, 2008
Revolving credit facility	\$ 40,000	\$ 89,079
Term loan	58,730	59,880
Senior Subordinated 8% Notes recorded net of unamortized discount of \$2,502 and \$2,647 at June 30, 2009 and December 31, 2008, respectively	201,498	201,353
Other debt	5,640	6,060
	305,868	356,372
Less current maturities	2,708	2,728
Total long-term debt	\$ 303,160	\$ 353,644

Standby letters of credit of \$14,153,000 have been issued under the 2007 Senior Credit Agreement to third parties on behalf of the Company at June 30, 2009. These letters of credit reduce the amount otherwise available under the revolving credit facility.

On December 8, 2005, the Company issued \$204,000,000 of Senior Subordinated 8% Notes (8% Notes), due December 1, 2015, at a discount to yield 8.25%. The 8% Notes are guaranteed by certain existing and future domestic subsidiaries and are not subject to any sinking fund requirements.

The Company entered into the Third Amended and Restated Credit Agreement dated July 24, 2009 (the 2009 Senior Credit Agreement). The 2009 Senior Credit Agreement was amended and restated in order to convert it into a secured facility that allowed the Company to remove most of the restrictive covenants contained in the 2007 Senior Credit Agreement prior to its amendment and restatement. Borrowings under the 2009 Senior Credit Agreement are secured by the trade receivables, inventory, personal property and equipment, and certain real property of the Company's significant domestic subsidiaries. The 2009 Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount that do not exceed the lesser of (i) \$200 million or (ii) a borrowing base determined by reference to the trade receivables, inventories, and property, plant, and equipment of the Company's significant domestic subsidiaries. The 2009 Senior Credit Agreement also provides a term loan aggregating \$58,730,000. The revolving credit facility is committed through August 30, 2012 and the term loan is due December 8, 2012. Robert E. Sadler, Jr., a Director of the Company, is Vice Chairman of the Board of Manufacturers and Traders Trust Company, one of the lenders under the 2009 Senior Credit Agreement.

Borrowings under the revolving credit facility bear interest at a variable rate based upon the London Interbank Offered Rate (LIBOR), with a LIBOR floor of 1.50%, plus 3.25% or, at the Company's option, an alternate base rate. The revolving credit facility also carries an annual facility fee of 0.50% on the entire facility, whether drawn or undrawn, and fees on outstanding letters of credit which are payable quarterly.

Borrowings under the term loan bear interest at LIBOR, with a LIBOR floor of 1.50%, plus 3.75% or, at the Company's option, an alternate base rate. The Company is required to repay \$575,000 on the term loan each quarter until the remaining balance comes due in 2012.

On the closing date, July 24, 2009, the Company had \$61,421,000 of availability under the revolving credit facility. As a result of the modification of terms under the revolving credit facility, the Company expects to write-off \$1,154,000 of deferred financing costs during the three months ended September 30, 2009.

The 2009 Senior Credit Agreement includes a financial covenant that requires the Company to maintain the following minimum Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA as defined in the 2009 Senior Credit Agreement) for the following periods:



	Minimum EBITDA
Six-months ended June 30, 2009	\$ 0
Nine-months ended September 30, 2009	\$13,000,000
Year ended December 31, 2009	\$28,000,000

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This covenant will not be tested after December 31, 2009. Beginning on March 31, 2010 and quarterly thereafter on a trailing four-quarter basis, the 2009 Senior Credit Agreement includes a single financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio of 1.25 to 1.00. The 2009 Senior Credit Agreement contains other provisions and events of default that are customary for similar agreements and may limit the Company's ability to take various actions. The Company's significant domestic subsidiaries have guaranteed the obligations under the 2009 Senior Credit Agreement.

**14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, which changes the disclosure requirements for derivative instruments and hedging activities. The Company applied the provisions of SFAS No. 161 as of January 1, 2009 and the following disclosures meet the requirements of the standard.

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to manage interest rate risk associated with the Company's variable-rate borrowings. During the three and six months ended June 30, 2009 and 2008, the Company had an interest rate swap outstanding with a notional amount of \$57,500,000, which expires on December 22, 2010.

In connection with the execution of the 2009 Senior Credit Agreement and based on the Company's prospective assessment of the effectiveness of the interest rate swap, beginning in the third quarter of 2009 the Company expects the swap to be ineffective in offsetting variability in future interest payments on \$57,500,000 of the Company's variable-rate borrowings. Changes in the fair value of the swap will be recorded in earnings on a prospective basis. During the three and six months ended June 30, 2009, 4.3% of the interest rate swap was determined to be ineffective. During the three and six months ended June 30, 2008, no ineffectiveness existed and the Company determined the interest rate swap effectively converted \$57,500,000 of variable-rate borrowings to a fixed rate of 6.78%.

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, requires assets or liabilities to be recognized in the consolidated balance sheet at fair value for all derivative instruments. In accordance with SFAS No. 133, the Company designated its interest rate swap as a cash flow hedge at inception. The determination of the fair value of the interest rate swap is disclosed in Note 4. As of June 30, 2009 and December 31, 2008, the Company recorded liabilities of \$3,011,000 and \$3,998,000, respectively, as other non-current liabilities on the consolidated balance sheets.

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The effective portion of the gain or loss on the interest rate swap is reported as a component of other comprehensive income and reclassified into earnings as interest expense accrues on the applicable variable-rate borrowings. As of June 30, 2009, the Company estimates \$1,900,000 of losses will be reclassified from accumulated other comprehensive income to interest expense within the next twelve months. Gains or losses on the interest rate swap representing hedge ineffectiveness are recognized in current earnings as interest expense or interest income. The following table summarizes the gains and losses recorded in interest expense and other comprehensive income as a result of the interest rate swap for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Adjustments to interest expense:				
Realized loss reclassified from accumulated other comprehensive income	\$ 542	\$ 349	\$ 1,029	\$ 370
Unrealized loss from changes in the fair value of the ineffective portion of the interest rate swap	3		4	
Total loss included in interest expense	\$ 545	\$ 349	\$ 1,033	\$ 370
Adjustments to other comprehensive income (loss):				
Realized loss reclassified to interest expense net of taxes	\$ 333	\$ 212	\$ 643	\$ 224
Unrealized gain (loss) from changes in the fair value of the effective portion of the interest rate swap net of taxes	(35)	880	(44)	(336)
Gain (loss) included in other comprehensive income (loss)	\$ 298	\$ 1,092	\$ 599	\$ (112)

**15. 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,	
	2009	2008	2009	2008
Service cost	\$ 27	\$ 37	\$ 55	\$ 74
Interest cost	44	40	88	80
Amortization of unrecognized prior service cost	18		34	
Net periodic benefit costs	\$ 89	\$ 77	\$ 177	\$ 154

	Other Post Employment Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Service cost	\$ 18	\$ 18	\$ 36	\$ 36
Interest cost	63	62	127	124
Amortization of unrecognized prior service cost	(4)	(5)	(9)	(10)

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Loss amortization	17	21	33	42
Net periodic benefit costs	\$ 94	\$ 96	\$ 187	\$ 192

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The following table summarizes the provision for (benefit of) income taxes for the three and six months ended June 30 and the applicable effective tax rates (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Provision for (benefit of) income taxes	\$5,226	\$11,377	\$(16,376)	\$14,472
Effective tax rate	112.6%	37.5%	36.8%	36.7%

The Company's provision for (benefit of) income taxes in interim periods is computed in accordance with FIN 18,

Accounting for Income Taxes in Interim Periods – an interpretation of APB Opinion No. 28 – by applying appropriate annual effective tax rates to income or loss before income taxes for the interim period. In addition, non-recurring or discrete items, including interest on prior year tax liabilities, are recorded during the period in which they occur. To the extent that actual income before taxes for the full year differ from the forecast estimates applied at the end of the most recent interim period, the actual tax rate recognized for the year ended December 31, 2009 could be materially different from the forecasted rate used for the six months ended June 30, 2009.

The provision for income taxes for the three months ended June 30, 2009 resulted in an effective tax rate of 113%.

This higher than expected tax rate was primarily the result of a change in the Company's estimated annual effective tax rate from approximately 42% to approximately 37% and the impact of recording this change in estimate in a period with income before taxes near break even. The effective tax rate of 36.8% for the six months ended June 30, 2009 was higher than the U.S. federal statutory tax rate of 35% due to state taxes and the tax benefit of adjustments made to the Company's reserve for uncertain tax positions partially offset by the impact of non-deductible permanent differences. The effective tax rates of 37.5% and 36.7% for the three and six months ended June 30, 2008, respectively, exceed the statutory tax rate of 35% primarily due to the impact of state taxes and non-deductible permanent differences.

**17. 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 through the application of several different processes to produce high-quality, value-added coiled steel to be further processed by customers.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net sales				
Building Products	\$ 190,802	\$ 281,058	\$ 357,141	\$ 510,381
Processed Metal Products	26,253	66,115	64,757	130,730
	\$ 217,055	\$ 347,173	\$ 421,898	\$ 641,111
Income (loss) from operations				
Building Products	\$ 17,548	\$ 39,638	\$ (11,073)	\$ 60,438
Processed Metal Products	(3,628)	6,201	(13,260)	8,348
Corporate	(3,625)	(8,488)	(8,540)	(14,407)
	\$ 10,295	\$ 37,351	\$ (32,873)	\$ 54,379
Depreciation and amortization				
Building Products	\$ 6,314	\$ 6,401	\$ 12,585	\$ 13,148
Processed Metal Products	1,551	1,238	3,100	2,472
Corporate	223	673	460	1,408
	\$ 8,088	\$ 8,312	\$ 16,145	\$ 17,028
Capital expenditures				
Building Products	\$ 2,697	\$ 3,815	\$ 5,762	\$ 7,504
Processed Metal Products	189	590	329	1,244
Corporate	132	236	341	450
	\$ 3,018	\$ 4,641	\$ 6,432	\$ 9,198
Total assets *			June 30, 2009	December 31, 2008
Building Products			\$ 901,311	\$ 961,967
Processed Metal Products			98,588	140,282
Corporate			51,333	44,110
			\$ 1,051,232	\$ 1,146,359

\* Total assets of discontinued operations have

been included in  
Corporate assets  
for all periods.

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**18. SUPPLEMENTAL FINANCIAL INFORMATION**

The following information sets forth the consolidating summary financial statements of the issuer (Gibraltar Industries, Inc.) and guarantors, which guarantee the Senior Subordinated 8% 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.  
Consolidating Balance Sheets  
June 30, 2009  
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 9,186	\$ 7,929	\$	\$ 17,115
Accounts receivable		107,653	16,232		123,885
Intercompany balances	21,298	6,425	(27,723)		
Inventories		110,573	7,978		118,551
Other current assets	3,346	23,268	1,227		27,841
Assets of discontinued operations		1,435			1,435
Total current assets	24,644	258,540	5,643		288,827
Property, plant and equipment, net		220,345	16,374		236,719
Goodwill		388,094	32,424		420,518
Acquired intangibles		73,372	12,217		85,589
Investment in partnership		2,505			2,505
Other assets	4,697	12,225	152		17,074
Investment in subsidiaries	720,956	50,969		(771,925)	
	\$ 750,297	\$ 1,006,050	\$ 66,810	\$ (771,925)	\$ 1,051,232
<b>Liabilities and Shareholders Equity</b>					
Current liabilities:					
Accounts payable	\$	\$ 66,042	\$ 8,843	\$	\$ 74,885
Accrued expenses	1,360	33,614	572		35,546
Current maturities of long-term debt		2,708			2,708
Total current liabilities	1,360	102,364	9,415		113,139
Long-term debt	201,498	101,662			303,160
Deferred income taxes		63,500	5,380		68,880
Other non-current liabilities		17,568	1,046		18,614
Shareholders equity	547,439	720,956	50,969	(771,925)	547,439
	\$ 750,297	\$ 1,006,050	\$ 66,810	\$ (771,925)	\$ 1,051,232



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Gibraltar Industries, Inc.  
Consolidating Balance Sheets  
December 31, 2008  
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 1,781	\$ 9,527	\$	\$ 11,308
Accounts receivable, net		108,004	15,268		123,272
Intercompany balances	5,959	23,894	(29,853)		
Inventories		180,332	9,603		189,935
Other current assets		21,720	508		22,228
Assets of discontinued operations		1,486			1,486
Total current assets	5,959	337,217	5,053		348,229
Property, plant and equipment, net		227,448	16,171		243,619
Goodwill		413,584	30,341		443,925
Acquired intangibles		75,371	12,002		87,373
Investment in partnership		2,477			2,477
Other assets	25,525	(4,938)	149		20,736
Investment in subsidiaries	739,716	47,577		(787,293)	
	\$ 771,200	\$ 1,098,736	\$ 63,716	\$ (787,293)	\$ 1,146,359
<b>Liabilities and Shareholders Equity</b>					
Current liabilities:					
Accounts payable	\$	\$ 67,512	\$ 8,656	\$	\$ 76,168
Accrued expenses	1,360	43,377	1,568		46,305
Current maturities of long-term debt		2,728			2,728
Total current liabilities	1,360	113,617	10,224		125,201
Long-term debt	201,353	152,291			353,644
Deferred income taxes		74,575	4,939		79,514
Other non-current liabilities		18,537	976		19,513
Shareholders equity	568,487	739,716	47,577	(787,293)	568,487
	\$ 771,200	\$ 1,098,736	\$ 63,716	\$ (787,293)	\$ 1,146,359

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Gibraltar Industries, Inc.  
 Consolidating Statements of Operations  
 Three Months Ended June 30, 2009  
 (in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$	\$ 199,251	\$ 21,063	\$ (3,259)	\$ 217,055
Cost of sales		163,607	19,096	(3,099)	179,604
Gross profit		35,644	1,967	(160)	37,451
Selling, general and administrative expense	(225)	24,896	2,485		27,156
Income (loss) from operations	225	10,748	(518)	(160)	10,295
Other expense (income)					
Equity in partnership's income and other income		(126)			(126)
Interest expense	4,334	1,446	(1)		5,779
Total other expense	4,334	1,320	(1)		5,653
Loss (income) before taxes	(4,109)	9,428	(517)	(160)	4,642
(Benefit of) provision for income taxes	(1,603)	6,987	(158)		5,226
(Loss) income from continuing operations	(2,506)	2,441	(359)	(160)	(584)
Discontinued operations					
Income from discontinued operations before taxes		612			612
Benefit of income taxes		(44)			(44)
Income from discontinued operations		656			656
	2,738	(359)		(2,379)	

Equity in earnings from  
subsidiaries

Net income (loss)	\$	232	\$	2,738	\$	(359)	\$	(2,539)	\$	72
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Gibraltar Industries, Inc.  
Consolidating Statements of Operations  
Three Months Ended June 30, 2008  
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$	\$ 314,439	\$ 37,592	\$ (4,858)	\$ 347,173
Cost of sales		243,320	30,013	(4,858)	268,475
Gross profit		71,119	7,579		78,698
Selling, general and administrative expense	134	37,182	4,031		41,347
(Loss) income from operations	(134)	33,937	3,548		37,351
Other (income) expense					
Equity in partnership's income and other income		(267)	(3)		(270)
Interest expense	3,394	3,318	549		7,261
Total other expense	3,394	3,051	546		6,991
(Loss) income before taxes	(3,528)	30,886	3,002		30,360
(Benefit of) provision for income taxes	(1,525)	11,663	1,239		11,377
(Loss) income from continuing operations	(2,003)	19,223	1,763		18,983
Discontinued operations					
Income from discontinued operations before taxes		1,088	412		1,500
Provision for income taxes		351	19		370
Income from discontinued operations		737	393		1,130
	22,116	2,156		(24,272)	

Equity in earnings from  
subsidiaries

Net income	\$ 20,113	\$ 22,116	\$ 2,156	\$ (24,272)	\$ 20,113
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Gibraltar Industries, Inc.  
 Consolidating Statements of Operations  
 Six Months Ended June 30, 2009  
 (in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$	\$ 386,534	\$ 42,767	\$ (7,403)	\$ 421,898
Cost of sales		339,500	39,031	(7,097)	371,434
Gross profit		47,034	3,736	(306)	50,464
Selling, general and administrative expense	(47)	52,716	5,167		57,836
Goodwill impairment		25,501			25,501
Income (loss) from operations	47	(31,183)	(1,431)	(306)	(32,873)
Other expense (income)					
Equity in partnership's income and other income		(97)	(10)		(107)
Interest expense	8,659	3,093	(6)		11,746
Total other expense	8,659	2,996	(16)		11,639