

GIBRALTAR INDUSTRIES, INC.

Form 10-Q

November 01, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended September 30, 2012

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

**16-1445150**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**3556 Lake Shore Road, P.O. Box 2028,**

**Buffalo, New York**  
(Address of principal executive offices)

**14219-0228**  
(Zip Code)

**Registrant's telephone number, including area code: (716) 826-6500**

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 definition 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

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 October 29, 2012, the number of common shares outstanding was: 30,564,482

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## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

## GIBALTAR INDUSTRIES, INC.

## CONSOLIDATED INCOME STATEMENTS

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net sales	\$ 205,514	\$ 220,096	\$ 617,419	\$ 592,466
Cost of sales	165,286	177,133	499,984	474,030
Gross profit	40,228	42,963	117,435	118,436
Selling, general, and administrative expense	24,479	24,602	78,370	75,463
Income from operations	15,749	18,361	39,065	42,973
Interest expense	4,688	4,869	13,989	14,321
Other (income) expense	(55)	15	(401)	(46)
Income before taxes	11,116	13,477	25,477	28,698
Provision for income taxes	4,094	6,094	9,091	12,628
Income from continuing operations	7,022	7,383	16,386	16,070
Discontinued operations:				
Income (loss) before taxes	162	(276)	9	13,621
(Benefit of) provision for income taxes	(117)	193	(174)	6,563
Income (loss) from discontinued operations	279	(469)	183	7,058
Net income	\$ 7,301	\$ 6,914	\$ 16,569	\$ 23,128
Net income per share Basic:				
Income from continuing operations	\$ 0.23	\$ 0.24	\$ 0.53	\$ 0.53
Income (loss) from discontinued operations	0.01	(0.01)	0.01	0.23
Net income	\$ 0.24	\$ 0.23	\$ 0.54	\$ 0.76
Weighted average shares outstanding Basic	30,765	30,554	30,739	30,474
Net income per share Diluted:				
Income from continuing operations	\$ 0.23	\$ 0.24	\$ 0.53	\$ 0.52
Income (loss) from discontinued operations	0.01	(0.01)	0.01	0.24
Net income	\$ 0.24	\$ 0.23	\$ 0.54	\$ 0.76

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Weighted average shares outstanding	Diluted	30,838	30,639	30,834	30,620
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See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	\$ 7,301	\$ 6,914	\$ 16,569	\$ 23,128
Other comprehensive income (loss):				
Foreign currency translation adjustment	2,029	(4,662)	1,968	(1,451)
Adjustment to retirement benefit liability, net of tax	2	(31)	6	(93)
Adjustment to post-retirement health care liability, net of tax	16	19	47	57
Other comprehensive income (loss)	2,047	(4,674)	2,021	(1,487)
Total comprehensive income	\$ 9,348	\$ 2,240	\$ 18,590	\$ 21,641

See accompanying notes to consolidated financial statements.

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## GIBRALTAR INDUSTRIES, INC.

## CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	September 30, 2012 (unaudited)	December 31, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 71,127	\$ 54,117
Accounts receivable, net of reserve of \$3,913 and \$4,614 in 2012 and 2011, respectively	110,605	90,595
Inventories	109,239	109,270
Other current assets	12,828	14,872
<b>Total current assets</b>	<b>303,799</b>	<b>268,854</b>
Property, plant, and equipment, net	142,875	151,974
Goodwill	348,943	348,326
Acquired intangibles	90,680	95,265
Other assets	6,299	7,636
	<b>\$ 892,596</b>	<b>\$ 872,055</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 73,217	\$ 67,320
Accrued expenses	52,298	60,687
Current maturities of long-term debt	417	417
<b>Total current liabilities</b>	<b>125,932</b>	<b>128,424</b>
Long-term debt	206,614	206,746
Deferred income taxes	56,150	55,801
Other non-current liabilities	23,568	21,148
Shareholders equity:		
Preferred stock, \$0.01 par value; authorized: 10,000 shares; none outstanding		
Common stock, \$0.01 par value; authorized 50,000 shares; 30,915 and 30,702 shares issued in 2012 and 2011	309	307
Additional paid-in capital	239,447	236,673
Retained earnings	246,006	229,437
Accumulated other comprehensive loss	(1,329)	(3,350)
Cost of 350 and 281 common shares held in treasury in 2012 and 2011	(4,101)	(3,131)
<b>Total shareholders equity</b>	<b>480,332</b>	<b>459,936</b>
	<b>\$ 892,596</b>	<b>\$ 872,055</b>

See accompanying notes to consolidated financial statements

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## GIBALTAR INDUSTRIES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended	
	September 30,	
	2012	2011
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 16,569	\$ 23,128
Income from discontinued operations	183	7,058
Income from continuing operations	16,386	16,070
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,838	19,515
Provision for deferred income tax	214	
Stock compensation expense	2,710	3,895
Non-cash charges to interest expense	1,186	1,689
Other non-cash adjustments	3,156	1,437
Increase (decrease) in cash resulting from changes in the following (excluding the effects of acquisitions):		
Accounts receivable	(19,410)	(35,126)
Inventories	(646)	(11,503)
Other current assets and other assets	2,305	9,509
Accounts payable	6,134	13,898
Accrued expenses and other non-current liabilities	(5,257)	11,826
Net cash provided by operating activities of continuing operations	26,616	31,210
Net cash provided by (used in) operating activities of discontinued operations	119	(3,491)
Net cash provided by operating activities	26,735	27,719
<b>Cash Flows from Investing Activities</b>		
Cash paid for acquisitions, net of cash acquired	(2,705)	(107,605)
Purchases of property, plant, and equipment	(6,852)	(7,838)
Purchase of other investments		(250)
Net proceeds from sale of property and equipment	417	978
Net proceeds from sale of businesses		59,029
Net cash used in investing activities of continuing operations	(9,140)	(55,686)
Net cash provided by investing activities of discontinued operations		2,089
Net cash used in investing activities	(9,140)	(53,597)
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt		73,849
Long-term debt payments	(414)	(74,260)
Purchase of treasury stock at market prices	(970)	(826)
Payment of deferred financing fees	(18)	(34)
Excess tax benefit from stock compensation	14	
Net proceeds from issuance of common stock	52	10
Net cash used in financing activities	(1,336)	(1,261)

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Effect of exchange rate changes on cash	751	(672)
Net increase (decrease) in cash and cash equivalents	17,010	(27,811)
Cash and cash equivalents at beginning of year	54,117	60,866
Cash and cash equivalents at end of period	\$ 71,127	\$ 33,055

See accompanying notes to consolidated financial statements.

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## GIBALTAR INDUSTRIES, INC.

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)

(unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated		Treasury Stock	Total Shareholders Equity
	Shares	Amount			Other Comprehensive Loss	Shares		
Balance at December 31, 2011	30,702	\$ 307	\$ 236,673	\$ 229,437	\$ (3,350)	281	\$ (3,131)	\$ 459,936
Net income				16,569				16,569
Foreign currency translation adjustment					1,968			1,968
Adjustment to pension benefit liability, net of taxes of \$5					6			6
Adjustment to post-retirement healthcare benefit liability, net of taxes of \$35					47			47
Stock compensation expense			2,710					2,710
Excess tax benefit from compensation			14					14
Net settlement of restricted stock units	197	2	(2)			69	(970)	(970)
Issuance of restricted stock	11							
Stock options exercised	5		52					52
Balance at September 30, 2012	30,915	\$ 309	\$ 239,447	\$ 246,006	\$ (1,329)	350	\$ (4,101)	\$ 480,332

See accompanying notes to consolidated financial statements.

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## GIBALTAR INDUSTRIES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**1. CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements 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 results of operations and other comprehensive income for the three and nine months ended September 30, 2012 and 2011, the financial position at September 30, 2012 and December 31, 2011, the statements of cash flow for the nine months ended September 30, 2012 and 2011, and the statement of shareholders' equity for the nine months ended September 30, 2012 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 (GAAP), 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 for the year ended December 31, 2011 as filed on Form 10-K.

The consolidated balance sheet at December 31, 2011 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

The results of operations for the three and nine month periods ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2011, the FASB issued Accounting Standards Update 2011-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income. Under the amendments included in Update 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are to be applied retrospectively. The Company adopted Update 2011-05 retrospectively in 2011 which did not have a material impact on the Company's consolidated results of operations, financial position, cash flows or the related disclosures.

**3. INVENTORIES**

Inventories consist of the following (in thousands):

	September 30, 2012	December 31, 2011
Raw material	\$ 44,339	\$ 43,911
Work-in-process	12,247	12,003
Finished goods	52,653	53,356
Total inventories	\$ 109,239	\$ 109,270

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On February 8, 2012, the Company acquired the assets of the metal grating fabrication and distribution business of Edvan Industries Inc. (Edvan), based near Edmonton, Alberta, Canada. The results of Edvan have been included in the Company's consolidated financial results since the date of acquisition. The aggregate purchase consideration for the acquisition of Edvan was \$2,705,000.

On June 3, 2011, the Company acquired all of the outstanding stock of Pacific Award Metals, Inc. (Award Metals). Award Metals operated six facilities in Arizona, California, Colorado, and Washington and is a leading regional manufacturer of roof ventilation, roof trims, flashing and rain ware, drywall trims, and specialized clips and connectors for concrete forms used in the residential new construction and repair and remodel markets. The acquisition of Award Metals expands the breadth of the Company's product offerings and allows the Company access to new customers. The results of Award Metals have been included in the Company's consolidated financial results since the date of acquisition. The fair value of the aggregate purchase consideration for the acquisition of Award Metals was \$13,369,000, net of a working capital adjustment. A portion of the aggregate purchase consideration, \$1,931,000, is payable in November 2012 and is included in accrued expenses in the consolidated balance sheet as of September 30, 2012.

On April 1, 2011, the Company acquired all of the outstanding stock of The D.S. Brown Company (D.S. Brown). D.S. Brown is located in Ohio and is the largest U.S. manufacturer of expansion joint systems, bearing assemblies, pavement sealing systems, and other specialty components for the bridge and highway transportation infrastructure industry. The acquisition of D.S. Brown provides the Company with a diversified product offering to the infrastructure market. The results of D.S. Brown have been included in the Company's consolidated financial results since the date of acquisition. The aggregate purchase consideration for the acquisition of D.S. Brown was \$97,643,000, net of a working capital adjustment. The acquisitions of D. S. Brown, Award Metals and Edvan were not considered significant to the Company's results of operations.

The purchase price for each acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess consideration was recorded as goodwill and approximated \$50,526,000, of which \$5,241,000 is deductible for tax purposes. Goodwill represents future economic benefits arising from other assets acquired that could not be individually identified including workforce additions, growth opportunities, and increased presence in the building products markets.

The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

	D.S. Brown	Award Metals
Working capital	\$ 16,735	\$ 4,177
Property, plant, and equipment	14,481	2,794
Intangible assets	33,300	2,101
Other assets	230	75
Other liabilities	(13,301)	(106)
Goodwill	46,198	4,328
Fair value of purchase consideration	\$ 97,643	\$ 13,369

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The acquired intangible assets consisted of the following for the two acquisitions completed during the year ended December 31, 2011 (in thousands):

	Fair Value	Estimated Useful Life
Unpatented technology and patents	\$ 16,560	15 Years
Trademarks	11,470	Indefinite
Customer relationships	5,970	16 Years
Backlog	1,200	1.5 Years
Non-compete agreements	201	4 Years
 Total	 \$ 35,401	

The acquisitions of Edvan, D.S. Brown, and Award Metals were financed through cash on hand and debt available under the Company's revolving credit facility. The Company incurred certain acquisition-related costs, primarily composed of legal and consulting fees of \$81,000 and \$156,000 for the three months ended September 30, 2012 and 2011, respectively, and \$193,000 and \$770,000 for the nine months ended September 30, 2012 and 2011, respectively. All acquisition-related costs were recognized as a component of selling, general, and administrative expenses in the consolidated statement of operations. The Company also recognized additional cost of sales of \$58,000 for the three months ended September 30, 2012 and \$207,000 and \$2,467,000 for the nine months ended September 30, 2012 and September 30, 2011, respectively, related to the sale of inventory at fair value as a result of allocating the purchase price of the recent acquisitions.

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

The changes in the carrying amount of goodwill for the nine months ended September 30, 2012 are as follows (in thousands):

Balance as of December 31, 2011	\$ 348,326
Goodwill acquired	50
Foreign currency translation	567
 Balance as of September 30, 2012	 \$ 348,943

The goodwill balances as of September 30, 2012 and December 31, 2011 are net of accumulated impairment losses of \$125,597,000.

Acquired Intangible Assets

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

	September 30, 2012		December 31, 2011		Estimated Life
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
<b>Indefinite-lived intangible assets:</b>					
Trademarks	\$ 46,917	\$	\$ 46,760	\$	indefinite
<b>Finite-lived intangible assets:</b>					
Trademarks	1,972	1,035	1,968	921	2 to 15 years
Unpatented technology	22,117	4,789	22,117	3,577	5 to 20 years

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Customer relationships	48,770	23,603	48,276	20,512	5 to 16 years
Non-compete agreements	2,857	2,526	2,857	2,303	5 to 10 years
Backlog	1,200	1,200	1,200	600	1 to 2 years
	76,916	33,153	76,418	27,913	
Total acquired intangible assets	\$ 123,833	\$ 33,153	\$ 123,178	\$ 27,913	

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The following table summarizes the acquired intangible asset amortization expense for the three and nine months ended September 30 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Amortization expense	\$ 1,606	\$ 1,706	\$ 5,116	\$ 4,579

Amortization expense related to acquired intangible assets for the remainder of fiscal 2012 and the next five years thereafter is estimated as follows (in thousands):

2012	\$ 1,419
2013	\$ 5,796
2014	\$ 4,826
2015	\$ 4,670
2016	\$ 4,649
2017	\$ 4,646

**6. RELATED PARTY TRANSACTIONS**

A member of the Company's Board of Directors, Gerald S. Lippes, is a partner in a law firm that provides legal services to the Company. For the three and nine months ended September 30, 2012, the Company incurred expense of \$264,000 and \$930,000, respectively, for legal services from this firm. The Company incurred \$293,000 and \$1,517,000 for legal services from this firm during the three and nine months ended September 30, 2011, respectively. Of the amounts incurred during the nine months ended September 30, 2012 and 2011, \$12,000 and \$176,000, respectively, related to services provided in connection with the sale of businesses and were recognized as a component of discontinued operations. All other amounts incurred during the 2012 and 2011 periods were expensed as a component of selling, general, and administrative expenses. At September 30, 2012 and December 31, 2011, the Company had \$265,000 and \$277,000, respectively, recorded in accounts payable for amounts due to this law firm.

A member of the Company's Board of Directors, Robert E. Sadler, Jr., is a member of the Board of Directors of M&T Bank Corporation, one of the ten participating lenders which have committed capital under the Company's Fourth Amended and Restated Credit Agreement dated October 11, 2011 (the Senior Credit Agreement). As of September 30, 2012 and December 31, 2011, the Senior Credit Agreement provided the Company with a revolving credit facility with availability up to \$200 million. No amounts were outstanding on the revolving credit facility as of September 30, 2012 and December 31, 2011.

**7. LONG-TERM DEBT**

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

	September 30, 2012	December 31, 2011
Senior Subordinated 8% Notes recorded net of unamortized discount of \$1,395 and \$1,677 at September 30, 2012 and December 31, 2011, respectively	\$ 202,605	\$ 202,323
Other debt	4,426	4,840
<b>Total debt</b>	<b>207,031</b>	<b>207,163</b>
Less current maturities	417	417
<b>Total long-term debt</b>	<b>\$ 206,614</b>	<b>\$ 206,746</b>



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Borrowings under the 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 Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount that does not exceed the lesser of (i) \$200 million or (ii) a borrowing base determined by reference to the trade receivable, inventories, and property, plant, and equipment of the Company's significant domestic subsidiaries. The Company can request additional financing from the banks to increase the revolving credit facility to \$250 million under the terms of the Senior Credit Agreement.

The revolving credit facility is currently committed through June 8, 2015, six months prior to the maturity date of the 8% Senior Subordinated Notes. Should the Company choose to refinance the Notes prior to June 8, 2015, the maturity date of the revolving credit facility extends to October 10, 2016. All revolving credit borrowings must be repaid on or before the maturity date. Interest rates on the revolving credit facility continue to be based on the London Interbank Offering Rate (LIBOR) plus an additional margin ranging from 2.0% to 2.5%. In addition, the revolving credit facility is subject to an annual commitment fee calculated as 0.375% of the daily average undrawn balance.

Standby letters of credit of \$13,592,000 have been issued under the Senior Credit Agreement to third parties on behalf of the Company as of September 30, 2012. These letters of credit reduce the amount otherwise available under the revolving credit facility. As of September 30, 2012, the Company had \$139,984,000 of availability under the revolving credit facility.

On a trailing four-quarter basis, the 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 at the end of each quarter. As of September 30, 2012, the Company was in compliance with this financial covenant. The 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.

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.

**8. EMPLOYEE RETIREMENT AND OTHER POST-RETIREMENT BENEFIT PLANS**

The following tables present the components of net periodic pension and other post-retirement benefit costs charged to expense for the three and nine months ended September 30 (in thousands):

	Pension Benefit			
	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Service cost	\$	\$ 11	\$	\$ 31
Interest cost	27	35	82	105
Amortization of unrecognized prior service cost	4	4	11	11
Gain amortization		(55)		(163)
Net periodic benefit costs	\$ 31	\$ (5)	\$ 93	\$ (16)

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	Other Post-retirement Benefits			
	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Service cost	\$ 3	\$ 3	\$ 11	\$ 10
Interest cost	56	70	168	209
Amortization of unrecognized prior service cost	(1)		(1)	(1)
Loss amortization	29	31	83	93
<b>Net periodic benefit costs</b>	<b>\$ 87</b>	<b>\$ 104</b>	<b>\$ 261</b>	<b>\$ 311</b>

**9. ACCUMULATED OTHER COMPREHENSIVE INCOME**

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

	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Unamortized Post- Retirement Health Care Costs	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2011	\$ (2,446)	\$ 71	\$ (975)	\$ (3,350)
Current period change	1,968	6	47	2,021
<b>Balance at September 30, 2012</b>	<b>\$ (478)</b>	<b>\$ 77</b>	<b>\$ (928)</b>	<b>\$ (1,329)</b>

**10. EQUITY-BASED COMPENSATION**

The Company awards equity-based compensation to employees and directors that are settled both in cash and stock. Cash settled equity-based compensation includes performance stock units and restricted stock units granted under the Management Stock Purchase Plan. These awards are recognized as liabilities on the consolidated balance sheet and the related compensation expense is recognized as the awards vest and fair value fluctuates each reporting period. Stock settled equity awards include stock options, restricted stock units, and restricted stock. Compensation expense related to these awards is recognized over the vesting period based on the grant date fair value of the award. The Company uses the straight-line method of attributing the value of stock-based compensation expense over the vesting periods. Stock compensation expense recognized during the period is based on the value of the portion of equity-based awards that is ultimately expected to vest during the period. Vesting requirements vary for directors, executives, and key employees with a vesting period that typically equals four years with graded vesting.

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 increase the value 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 stock 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.

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The following table provides the number of restricted stock units (that will convert to shares upon vesting), shares of restricted stock, and non-qualified stock options that were issued during the nine months ended September 30 along with the weighted average grant date fair value of each award:

	2012		2011	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Awards				
Restricted stock units	74,532	\$ 14.36	315,834	\$ 11.05
Restricted shares	11,130	\$ 11.86	6,000	\$ 13.63
Non-qualified stock options		\$	239,000	\$ 5.19

On March 24, 2011, the Company's Chairman and Chief Executive Officer surrendered a portion of his 2010 restricted stock unit grant. The unamortized portion of compensation expense related to these awards, totaling \$885,000, was accelerated and recognized as compensation included in selling, general, and administrative expense for the three months ended March 31, 2011.

In September 2009, the Company awarded 905,000 performance stock units with a grant-date fair value of \$12,643,000 and a vesting period of three years. The final number of performance stock units earned was determined based on the Company's total stockholder returns relative to a peer group for three separate performance periods, consisting of the years ended December 31, 2009, 2010, and 2011. The performance stock units earned were converted to cash based on the trailing 90-day closing price of the Company's common stock as of the last day of the third performance period and totaled \$8,319,000 which was paid in January 2012.

In January 2012, the Company awarded 295,000 performance stock units with grant date fair value of \$4,152,000. As of September 30, 2012, 280,000 of the originally awarded performance stock units remained outstanding after forfeitures. The final number of performance stock units earned will be determined based on the Company's total stockholder returns relative to the S&P Small Cap 600 Index for the calendar year of 2012. The cost of the January 2012 performance stock awards will be recognized over the performance period of 2012, plus an additional two years of vesting. After the three-year period, any performance stock units earned will convert to cash based on the trailing 90-day closing price of the Company's common stock as of December 31, 2014 and be payable in January 2015.

The following table summarizes the compensation expense (recovery) recognized from the change in fair value and vesting of performance stock units for the three and nine months ended September 30 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Performance stock unit compensation expense (recovery)	\$ 289	\$ (1,026)	\$ 405	\$ (1,974)

The Management Stock Purchase Plan (MSPP) is an integral component of the Plan and provides participants the ability to defer a portion of their salary, their annual bonus under the Management Incentive Compensation Plan, 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 trailing 200-day average closing price of the Company's stock and payable to the participants upon termination of their service to the Company. The matching portion vests only if the participant has reached their sixtieth (60<sup>th</sup>) birthday. If a participant terminates their service to the Company prior to age sixty (60), 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 U.S. Treasury note rate. The account is then paid out in either one lump sum, or in five or ten equal annual cash installments at the participant's election.

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The fair value of restricted stock units held in the MSPP equals the trailing 200-day average closing price of the Company's common stock as of the last day of the period. During the nine months ended September 30, 2012 and 2011, 237,613 and 155,882 restricted stock units, respectively, including the company-match, were credited to participant accounts. At September 30, 2012 and December 31, 2011, the value of the restricted stock units in the MSPP was \$12.75 and \$11.15 per unit, respectively. As of September 30, 2012 and December 31, 2011, 761,204 and 533,548 restricted stock units, including the company-match, were credited to participant accounts including 71,397 and 65,374, respectively, of unvested restricted stock units. The Company made disbursements of \$542,000 and \$518,000 out of MSPP accounts during the nine months ended September 30, 2012 and 2011, respectively.

**11. FAIR VALUE MEASUREMENTS**

FASB ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, sets out a framework for measuring fair value, and requires certain disclosures about fair value measurements. 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. Fair value is defined based upon an exit price model.

FASB ASC Topic 820 establishes a valuation hierarchy for disclosure of the inputs 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 Company's financial instruments primarily consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and long-term debt. The carrying values for our financial instruments approximate fair value with the exception, at times, of long-term debt. At September 30, 2012, the fair value of outstanding debt was \$213,730,000 compared to its carrying value of \$207,031,000. The fair value of the Company's Senior Subordinated 8% Notes was estimated based on quoted market prices, a level one input.

As described in Note 4 of the consolidated financial statements, the Company completed an acquisition during the nine months ended September 30, 2012, and two acquisitions during the year ended December 31, 2011. The estimated fair values assigned to the assets acquired and liabilities assumed relied upon fair value measurements based in part on Level 3 inputs. The valuation techniques used to assign fair values to inventory, property, plant, and equipment, and intangible assets included the cost approach, market approach, relief-from-royalty income approach, and other income approaches. The valuation techniques relied on a number of inputs which included the cost and condition of property, plant, and equipment, forecasted net sales and incomes, and royalty rates.

**12. DISCONTINUED OPERATIONS**

On March 10, 2011, the Company sold the stock of the United Steel Products business (USP) for cash proceeds of \$59,029,000, inclusive of \$1,029,000 related to a working capital adjustment received in June 2011. The divestiture of USP allowed the Company to allocate capital resources to businesses with strong market leadership positions and growth potential. The Company recognized a pre-tax gain of \$14,022,000 from the transaction.

On February 1, 2010, the Company sold the majority of the assets of the Processed Metal Products business. This transaction finalized the Company's exit from the steel processing business and established the Company solely as a manufacturer and distributor of products for building and industrial markets upon completion of the sale. The transactions to dispose of the remaining assets of this business were completed during the year ended December 31, 2011 which resulted in the recognition of additional gains and losses classified in discontinued operations.

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For certain transactions, the Company has agreed to indemnify the buyer for various liabilities that may arise after the disposal date, subject to limits of time and amount. The Company is a party to certain claims made under these indemnification provisions. For the nine months ended September 30, 2012, management recorded a contingent liability for environmental remediation related to a discontinued operation.

Management does not believe that the outcome of this claim, or other claims, would significantly affect the Company's financial condition or results of operations.

The results of operations for divested 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 FASB ASC Subtopic 205-20, Presentation of Financial Statements - Discontinued Operations .

Components of the income (loss) from discontinued operations, including the interest allocated to discontinued operations, for the three and nine months ended September 30 are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net sales	\$	\$	\$	\$ 9,057
Operating expenses	162	(276)	9	(9,196)
Gain on sale of business				14,022
Interest expense allocation				(262)
Income (loss) from discontinued operations before taxes	\$ 162	\$ (276)	\$ 9	\$ 13,621

**13. EXIT ACTIVITY COSTS AND ASSET IMPAIRMENTS**

The Company has focused on being the low-cost provider of its products by reducing operating costs and implementing lean manufacturing initiatives, which have in part led to the consolidation of its facilities and production lines. In the nine months ended September 30, 2012, the Company consolidated two facilities into other existing facilities and discontinued an uncompetitive product line. Three facilities were consolidated during the full year of 2011 in this effort. During this process, the Company has incurred exit activity costs, including contract termination costs, severance costs, and other moving and closing costs. These restructuring activities also resulted in \$1,608,000 and \$448,000 of asset impairment charges related to the facility consolidations, a product discontinued, and an identified asset that is no longer in use during the nine months ended September 30, 2012 and 2011, respectively.

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The following table provides a summary of where the exit activity costs and asset impairments were recorded in the statement of operations for the three and nine months ended September 30 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Cost of sales	\$ 201	\$ 522	\$ 3,080	\$ 1,697
Selling, general and administrative expense	141	(7)	159	476
<b>Total exit activity costs and asset impairments</b>	<b>\$ 342</b>	<b>\$ 515</b>	<b>\$ 3,239</b>	<b>\$ 2,173</b>

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

	2012	2011
Accrued costs as of January 1	\$ 2,315	\$ 2,069
Exit activity costs recognized (excluding asset impairments)	1,631	1,725
Cash payments	(2,654)	(1,896)
Accrued costs as of September 30	\$ 1,292	\$ 1,898

**14. INCOME TAXES**

The following table summarizes the provision for income taxes for continuing operations for the three and nine months ended September 30 and the applicable effective tax rates (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Provision for income taxes	\$ 4,094	\$ 6,094	\$ 9,091	\$ 12,628
Effective tax rate	36.8%	45.2%	35.7%	44.0%

The Company's provision for income taxes in interim periods is computed by applying forecasted 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 or loss before taxes for the full year differs from the forecast estimates applied at the end of the most recent interim period, the actual tax rate recognized for the year ending December 31, 2012 could be materially different from the forecasted rate used for the nine months ended September 30, 2012.

The provision of income taxes resulted in an effective tax rate of 36.8% and 35.7% for the three and nine months ended September 30, 2012, respectively, which was greater than the U.S. federal statutory tax rate of 35%. These higher rates were due to the impact of state taxes and non-deductible permanent items, net of discrete benefits incurred during the quarter. The year-to-date rate was further offset by the reversal of an uncertain tax position of \$0.6 million related to the acquisition of D.S. Brown during the second quarter of 2012.

The provision for income taxes resulted in an effective tax rate of 45.2% and 44.0% for the three and nine months ended September 30, 2011. The effective tax rate was greater than the U.S. federal statutory rate of 35% during this period due to the impact of state taxes and non-deductible permanent items.



**Table of Contents****15. 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 of shares issuable under its equity compensation plans described in Note 10 of the consolidated financial statements. 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.

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Numerator:</b>				
Income from continuing operations	\$ 7,022	\$ 7,383	\$ 16,386	\$ 16,070
(Loss) income from discontinued operations	279	(469)	183	7,058
Income available to common stockholders	\$ 7,301	\$ 6,914	\$ 16,569	\$ 23,128
<b>Denominator for basic income per share:</b>				
Weighted average shares outstanding	30,765	30,554	30,739	30,474
<b>Denominator for diluted income per share:</b>				
Weighted average shares outstanding	30,765	30,554	30,739	30,474
Common stock options and restricted stock	73	85	95	146
Weighted average shares and conversions	30,838	30,639	30,834	30,620

**16. 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 INCOME STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$	\$ 186,729	\$ 24,253	\$ (5,468)	\$ 205,514
Cost of sales		149,417	21,176	(5,307)	165,286
Gross profit		37,312	3,077	(161)	40,228
Selling, general, and administrative expense	(23)	22,572	1,930		24,479
Income from operations	23	14,740	1,147	(161)	15,749
Interest expense (income)	4,245	474	(31)		4,688
Other income		(53)	(2)		(55)
(Loss) income before taxes	(4,222)	14,319	1,180	(161)	11,116
(Benefit of) provision for income taxes	(1,618)	5,518	194		4,094
(Loss) income from continuing operations	(2,604)	8,801	986	(161)	7,022
Discontinued operations:					
Income from discontinued operations before taxes		162			162
Benefit of income taxes		(117)			(117)
Income from discontinued operations		279			279
Equity in earnings from subsidiaries	10,066	986		(11,052)	
Net income	\$ 7,462	10,066	\$ 986	\$ (11,213)	\$ 7,301

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## GIBRALTAR INDUSTRIES, INC.

## CONSOLIDATING INCOME STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$	\$ 198,469	\$ 26,134	\$ (4,507)	\$ 220,096
Cost of sales		159,372	22,204	(4,443)	177,133
Gross profit		39,097	3,930	(64)	42,963
Selling, general, and administrative expense	183	21,915	2,504		24,602
(Loss) income from operations	(183)	17,182	1,426	(64)	18,361
Interest expense (income)	4,349	568	(48)		4,869
Other (income) expense		(8)	23		15
(Loss) income before taxes	(4,532)	16,622	1,451	(64)	13,477
(Benefit of) provision for income taxes	(1,768)	7,398	464		6,094
(Loss) income from continuing operations	(2,764)	9,224	987	(64)	7,383
Discontinued operations:					
Loss from discontinued operations before taxes		(276)			(276)
Provision for income taxes		193			193
Loss from discontinued operations		(469)			(469)
Equity in earnings from subsidiaries	9,742	987		(10,729)	
Net income	\$ 6,978	\$ 9,742	\$ 987	\$ (10,793)	\$ 6,914

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## GIBRALTAR INDUSTRIES, INC.

## CONSOLIDATING INCOME STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$	\$ 555,858	\$ 77,758	\$ (16,197)	\$ 617,419
Cost of sales		448,222	67,034	(15,272)	499,984
Gross profit		107,636	10,724	(925)	117,435
Selling, general, and administrative expense	32	71,919	6,419		78,370
(Loss) income from operations	(32)	35,717	4,305	(925)	39,065
Interest expense (income)	12,719	1,362	(92)		13,989
Other income		(395)	(6)		(401)
(Loss) income before taxes	(12,751)	34,750	4,403	(925)	25,477
(Benefit of) provision for income taxes	(4,894)	12,953	1,032		9,091
(Loss) income from continuing operations	(7,857)	21,797	3,371	(925)	16,386
Discontinued operations:					
Income from discontinued operations before taxes		9			9
Benefit of income taxes		(174)			(174)
Income from discontinued operations		183			183
Equity in earnings from subsidiaries	25,351	3,371		(28,722)	
Net income	\$ 17,494	\$ 25,351	\$ 3,371	\$ (29,647)	\$ 16,569

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## GIBRALTAR INDUSTRIES, INC.

## CONSOLIDATING STATEMENTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$	\$ 526,963	\$ 81,416	\$ (15,913)	\$ 592,466
Cost of sales		419,545	69,222	(14,737)	474,030
Gross profit		107,418	12,194	(1,176)	118,436
Selling, general, and administrative expense		68,432	7,031		75,463
Income from operations		38,986	5,163	(1,176)	42,973
Interest expense (income)	13,042	1,330	(51)		14,321
Other income		(46)			(46)
(Loss) income before taxes	(13,042)	37,702	5,214	(1,176)	28,698
(Benefit of) provision for income taxes	(5,087)	15,990	1,725		12,628
(Loss) income from continuing operations	(7,955)	21,712	3,489	(1,176)	16,070
Discontinued operations:					
Income from discontinued operations before taxes		13,402	219		13,621
Provision for income taxes		6,462	101		6,563
Income from discontinued operations		6,940	118		7,058
Equity in earnings from subsidiaries	32,259	3,607		(35,866)	
Net income	\$ 24,304	\$ 32,259	\$ 3,607	\$ (37,042)	\$ 23,128

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$ 7,462	\$ 10,066	\$ 986	\$ (11,213)	\$ 7,301
Other comprehensive income:					
Foreign currency translation adjustment			2,029		2,029
Adjustment to retirement benefit liability, net of tax		2			2
Adjustment to post-retirement health care liability, net of tax		16			16
Other comprehensive income		18	2,029		2,047
Total comprehensive income	\$ 7,462	\$ 10,084	\$ 3,015	\$ (11,213)	\$ 9,348

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$ 6,978	\$ 9,742	\$ 987	\$ (10,793)	\$ 6,914
Other comprehensive income:					
Foreign currency translation adjustment			(4,662)		(4,662)
Adjustment to retirement benefit liability, net of tax		(31)			(31)
Adjustment to post-retirement health care liability, net of tax		19			19
Other comprehensive loss		(12)	(4,662)		(4,674)
Total comprehensive income (loss)	\$ 6,978	\$ 9,730	\$ (3,675)	\$ (10,793)	\$ 2,240

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$ 17,494	\$ 25,351	\$ 3,371	\$ (29,647)	\$ 16,569
Other comprehensive income:					
Foreign currency translation adjustment			1,968		1,968
Adjustment to retirement benefit liability, net of tax		6			6
Adjustment to post-retirement health care liability, net of tax		47			47
Other comprehensive income		53	1,968		2,021
Total comprehensive income	\$ 17,494	\$ 25,404	\$ 5,339	\$ (29,647)	\$ 18,590

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$ 24,304	\$ 32,259	\$ 3,607	\$ (37,042)	\$ 23,128
Other comprehensive income:					
Foreign currency translation adjustment			(1,451)		(1,451)
Adjustment to retirement benefit liability, net of tax		(93)			(93)
Adjustment to post-retirement health care liability, net of tax		57			57
Other comprehensive loss		(36)	(1,451)		(1,487)
Total comprehensive income	\$ 24,304	\$ 32,223	\$ 2,156	\$ (37,042)	\$ 21,641

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## GIBRALTAR INDUSTRIES, INC.

## CONSOLIDATING BALANCE SHEETS

SEPTEMBER 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 50,375	\$ 20,752	\$	\$ 71,127
Accounts receivable, net		96,333	14,272		110,605
Intercompany balances	17,145	3,749	(20,894)		
Inventories		99,644	9,595		109,239
Other current assets	4,894	6,729	1,205		12,828
Total current assets	22,039	256,830	24,930		303,799
Property, plant, and equipment, net		131,886	10,989		142,875
Goodwill		320,772	28,171		348,943
Acquired intangibles		81,977	8,703		90,680
Other assets	2,348	3,947	4		6,299
Investment in subsidiaries	663,108	56,184		(719,292)	
	\$ 687,495	\$ 851,596	\$ 72,797	\$ (719,292)	\$ 892,596
<b>Liabilities and Shareholders Equity</b>					
Current liabilities:					
Accounts payable	\$	\$ 64,830	\$ 8,387	\$	\$ 73,217
Accrued expenses	4,558	44,081	3,659		52,298
Current maturities of long-term debt		417			417
Total current liabilities	4,558	109,328	12,046		125,932
Long-term debt	202,605	4,009			206,614
Deferred income taxes		52,319	3,831		56,150
Other non-current liabilities		22,832	736		23,568
Total shareholders equity	480,332	663,108	56,184	(719,292)	480,332
	\$ 687,495	\$ 851,596	\$ 72,797	\$ (719,292)	\$ 892,596

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## GIBRALTAR INDUSTRIES, INC.

## CONSOLIDATING BALANCE SHEETS

DECEMBER 31, 2011

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 34,691	\$ 19,426	\$	\$ 54,117
Accounts receivable, net		77,395	13,200		90,595
Intercompany balances	16,762	4,811	(21,573)		
Inventories		101,637	7,633		109,270
Other current assets	6,339	7,676	857		14,872
Total current assets	23,101	226,210	19,543		268,854
Property, plant, and equipment, net		140,343	11,631		151,974
Goodwill		320,771	27,555		348,326
Acquired intangibles		86,160	9,105		95,265
Other assets	2,890	4,745	1		7,636
Investment in subsidiaries	637,628	52,173		(689,801)	
	\$ 663,619	\$ 830,402	\$ 67,835	\$ (689,801)	\$ 872,055
<b>Liabilities and Shareholders Equity</b>					
Current liabilities:					
Accounts payable	\$	\$ 59,600	\$ 7,720	\$	\$ 67,320
Accrued expenses	1,360	55,670	3,657		60,687
Current maturities of long-term debt		417			417
Total current liabilities	1,360	115,687	11,377		128,424
Long-term debt	202,323	4,423			206,746
Deferred income taxes		52,065	3,736		55,801
Other non-current liabilities		20,599	549		21,148
Total shareholders equity	459,936	637,628	52,173	(689,801)	459,936
	\$ 663,619	\$ 830,402	\$ 67,835	\$ (689,801)	\$ 872,055

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## GIBRALTAR INDUSTRIES, INC.

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
<b>Cash Flows from Operating Activities</b>					
Net cash (used in) provided by operating activities of continuing operations	\$ (7,847)	\$ 28,704	\$ 5,759	\$	\$ 26,616
Net cash provided by operating activities of discontinued operations		119			119
Net cash (used in) provided by operating activities	(7,847)	28,823	5,759		26,735
<b>Cash Flows from Investing Activities</b>					
Cash paid for acquisitions, net of cash acquired			(2,705)		(2,705)
Purchases of property, plant, and equipment		(6,030)	(822)		(6,852)
Net proceeds from sale of property and equipment		68	349		417
Net cash used in investing activities		(5,962)	(3,178)		(9,140)
<b>Cash Flows from Financing Activities</b>					
Long-term debt payments		(414)			(414)
Purchase of treasury stock at market prices	(970)				(970)
Payment of deferred financing fees		(18)			(18)
Excess tax benefit from stock compensation	14				14
Intercompany financing	8,751	(6,745)	(2,006)		
Net proceeds from issuance of common stock	52				52
Net cash provided by (used in) financing activities	7,847	(7,177)	(2,006)		(1,336)
Effect of exchange rate changes on cash			751		751
Net increase in cash and cash equivalents		15,684	1,326		17,010
Cash and cash equivalents at beginning of year		34,691	19,426		54,117
Cash and cash equivalents at end of period	\$	\$ 50,375	\$ 20,752	\$	\$ 71,127

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## GIBALTAR INDUSTRIES, INC.

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
<b>Cash Flows from Operating Activities</b>					
Net cash (used in) provided by operating activities of continuing operations	\$ (8,159)	\$ 32,917	\$ 6,452	\$	\$ 31,210
Net cash (used in) provided by operating activities of discontinued operations		(3,539)	48		(3,491)
Net cash (used in) provided by operating activities	(8,159)	29,378	6,500		27,719
<b>Cash Flows from Investing Activities</b>					
Cash paid for acquisitions, net of cash acquired		(107,605)			(107,605)
Purchases of property, plant, and equipment		(7,487)	(351)		(7,838)
Purchase of other investments		(250)			(250)
Net proceeds from sale of property and equipment		978			978
Net proceeds from sale of businesses		59,029			59,029
Net cash used in investing activities of continuing operations		(55,335)	(351)		(55,686)
Net cash provided by investing activities of discontinued operations		2,089			2,089
Net cash used in investing activities		(53,246)	(351)		(53,597)
<b>Cash Flows from Financing Activities</b>					
Proceeds from long-term debt		73,849			73,849
Long-term debt payments		(74,260)			(74,260)
Purchase of treasury stock at market prices	(826)				(826)
Payment of deferred financing fees		(34)			(34)
Intercompany financing	8,975	(8,381)	(594)		
Net proceeds from issuance of common stock	10				10
Net cash provided by (used in) financing activities	8,159	(8,826)	(594)		(1,261)
Effect of exchange rate changes on cash			(672)		(672)
Net (decrease) increase in cash and cash equivalents		(32,694)	4,883		(27,811)
Cash and cash equivalents at beginning of year		46,349	14,517		60,866
Cash and cash equivalents at end of period	\$	\$ 13,655	\$ 19,400	\$	\$ 33,055

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

*Certain information set forth herein, other than historical statements, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based, in whole or in part, on current expectations, estimates, forecasts, and projections about the Company's business, and management's beliefs about future operations, results, and financial position. These statements are not guarantees of future performance and are subject to a number of risk factors, uncertainties, and assumptions. Risk factors that could affect these statements include, but are not limited to, the following: the availability of raw materials and the effects of changing raw material prices on the Company's results of operations; energy prices and usage; changing demand for the Company's products and services; changes in the liquidity of the capital and credit markets; risks associated with the integration of acquisitions; and changes in interest and tax rates. In addition, such forward-looking statements could also be affected by general industry and market conditions, as well as general economic and political conditions. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law or regulation.*

**Overview**

Gibraltar is a leading manufacturer and distributor of products for building and industrial markets. Our products provide structural and architectural enhancements for residential homes, low-rise retail, other commercial and professional buildings, and a wide-variety of other structures. These products include ventilation products, mail storage solutions including mailboxes and package delivery products, rain dispersion products and accessories, bar grating, expanded metal, metal lath, and expansion joints and structural bearings. Our customers are major home improvement retailers and distributors predominantly throughout North America with less than ten percent of revenues from Europe. As of September 30, 2012, we operated 40 facilities in 20 states, Canada, England, and Germany, giving us a broad platform for just-in-time delivery and support to our customers.

Our strategy is to position Gibraltar as a low-cost provider and a market share leader in product areas that offer the opportunity for sales growth and margin enhancement over the long-term. We focus on operational excellence including lean initiatives throughout the Company to position Gibraltar as our customers' low-cost provider of the products we offer. We continuously seek to improve our on-time delivery, quality, and service to position Gibraltar as a preferred supplier to our customers. We also strive to develop new products, enter new markets, expand market share in the residential markets, and further penetrate domestic and international building and industrial markets to strengthen our product leadership positions.

The end markets served by our business are subject to economic conditions that are influenced by interest rates, commodity costs, demand for residential construction, and the level of non-residential construction and infrastructure projects. The United States construction markets continue an uneven recovery from an unprecedented recession that began in 2008, which led to significantly reduced demand for the products we manufacture and distribute. In addition, tightened credit markets over the same period may have limited the ability of end customers to obtain financing for construction projects. While the economy has grown since the recession, the construction markets continue to face significant challenges. Construction markets have only recovered modestly and many economic indicators, such as housing starts, continue to remain at levels well below long-term averages.

Regarding the growth of our business through acquisitions, on February 8, 2012, the Company purchased the assets of the metal grating fabrication and distribution business of Edvan Industries, Inc. (Edvan), based near Edmonton, Alberta, Canada. Edvan, which serves the oil sands region of Western Canada, was acquired for approximately \$3 million.

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On June 3, 2011, the Company acquired Pacific Award Metals, Inc. (Award Metals) for \$13 million. Award Metals is a leading regional manufacturer of roof ventilation, roof trims, flashing and rain ware, drywall trims, and specialized clips and connectors for concrete forms used in the West Coast residential construction markets.

On April 1, 2011, the Company acquired The D.S. Brown Company (D.S. Brown) for \$98 million. D.S. Brown is the largest U.S. manufacturer of specialty components for the transportation infrastructure industry and has established a leading market position for many of the products offered. Products manufactured and distributed by D.S. Brown include expansion joint systems, structural bearing assemblies, pavement sealing systems, and other specialty components for bridges, highways, and other infrastructure projects.

Gibraltar's results from operations included Edvan, Award Metals, and D.S. Brown from their respective dates of acquisition.

We have been able to improve our strong liquidity position as a result of consolidation of facilities, acquisitions, introduction of new products and expansion of market share. Using cash generated from operations, we made significant repayments against our outstanding debt and had no debt outstanding against our revolving credit facility during the nine months ended September 30, 2012. At September 30, 2012, our liquidity was \$211 million including \$71 million of cash and \$140 million of availability under our revolving credit facility.

For the quarter ended September 30, 2012, our net sales declined 7% compared to the prior year. The decline was attributable to slower repair and remodeling activity, unfavorable weather conditions, and recession-driven weakness in the demand for products for our businesses serving the European markets. Continued improvement in the Company's operating efficiencies, along with reductions of restructuring costs for the integration of our West Coast operations, helped offset margin compression from lower sales volume. Our operating margin declined to 7.7% for the third quarter of 2012 from 8.3% in the third quarter of 2011.

**Results of Operations***Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011*

The following table sets forth selected data from our statement of operations and the related percentage of net sales for the three months ended September 30 (in thousands):

	2012		2011	
Net sales	\$ 205,514	100.0%	\$ 220,096	100.0%
Cost of sales	165,286	80.4	177,133	80.5
Gross profit	40,228	19.6	42,963	19.5
Selling, general, and administrative expense	24,479	11.9	24,602	11.2
Income from operations	15,749	7.7	18,361	8.3
Interest expense	4,688	2.3	4,869	2.2
Other (income) expense	(55)	0.0	15	0.0
Income before taxes	11,116	5.4	13,477	6.1
Provision for income taxes	4,094	2.0	6,094	2.7
Income from continuing operations	7,022	3.4	7,383	3.4
Income (loss) from discontinued operations	279	0.2	(469)	-0.3
Net income	\$ 7,301	3.6%	\$ 6,914	3.1%

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Net sales decreased by \$14.6 million, or 6.6%, to \$205.5 million for the three months ended September 30, 2012 from net sales of \$220.1 million for the three months ended September 30, 2011. The following table sets forth the impact of the Company's acquisitions on net sales for the three months ended September 30 (in thousands):

	2012	2011	Total Change	Change Due To	
				Acquisitions	Operations
Net sales	\$ 205,514	\$ 220,096	\$ (14,582)	\$ 1,155	\$ (15,737)

The decrease in net sales from the prior year was the result of a 4.6% decrease in volumes along with a 2.6% decrease in pricing to customers, partially offset by the incremental sales generated by the Edvan acquisition completed earlier this year. These Edvan incremental sales were not included in the prior year quarter, and contributed \$1.2 million of net sales for the third quarter of 2012. Volumes decreased in several of our residential markets due in part to reduced demand for roofing materials resulting from the unusually dry weather this year compared to greater storm related repair activity last year. In our domestic and European industrial markets, weak economic conditions suppressed demand for our building and vehicle filtration products. The lower selling prices were primarily the result of declining commodity costs for steel and aluminum and meeting selective competitive situations.

Our gross margin increased slightly to 19.6% for the three months ended September 30, 2012 compared to 19.5% for the three months ended September 30, 2011. Despite decreased volume and pricing, we achieved a more favorable alignment of material costs to customer selling prices. Decreased acquisition and restructuring costs also contributed to the increased gross margin. In addition, our efforts to continue to reduce costs and consolidate facilities contributed to the improved margin. All these actions more than offset the margin compression experienced as a result of decreased volume.

Selling, general, and administrative expenses (SG&A) slightly decreased to \$24.5 million for the three months ended September 30, 2012 from \$24.6 million for the three months ended September 30, 2011. For the current quarter, we experienced a \$1.9 million increase in equity compensation costs compared to the prior year quarter, which included a \$0.6 million benefit in the third quarter of 2011. However, this increase was more than offset by cost reductions generated through our continued restructuring and consolidation of facilities. Although we experienced a minor decrease in expenses, SG&A expenses as a percentage of net sales increased to 11.9% for the third quarter of 2012 compared to 11.2% in 2011 as a result of reduced net sales.

Interest expense decreased \$0.2 million to \$4.7 million for the three months ended September 30, 2012 compared to \$4.9 million for the three months ended September 30, 2011. Net interest expense in the third quarter of 2011 was higher due to funds borrowed under our revolving credit facility to finance the acquisitions of D.S. Brown and Award Metals. No amounts were outstanding under our revolving credit facility during the three months ended September 30, 2012.

We recognized a provision for income taxes of \$4.1 million for the three months ended September 30, 2012, an effective tax rate of 36.8%, compared with a provision for income taxes of \$6.1 million, an effective rate of 45.2% for the same period in 2011. The effective tax rate for the third quarter of 2012 was lower than the third quarter of 2011 due to a reduction in non-deductible expenses and the recognition of certain discrete benefits, including a reversal of uncertain tax positions, incurred in the current quarter. The effective tax rate for the third quarter of 2011 exceeded the U.S. federal statutory rate due to state taxes and non-deductible permanent differences.

**Table of Contents***Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011*

The following table sets forth selected data from our statement of operations and the related percentage of net sales for the nine months ended September 30 (in thousands):

	2012		2011	
Net sales	\$ 617,419	100.0%	\$ 592,466	100.0%
Cost of sales	499,984	81.0	474,030	80.0
Gross profit	117,435	19.0	118,436	20.0
Selling, general, and administrative expense	78,370	12.7	75,463	12.7
Income from operations	39,065	6.3	42,973	7.3
Interest expense	13,989	2.3	14,321	2.5
Other income	(401)	-0.1	(46)	0.0
Income before taxes	25,477	4.1	28,698	4.8
Provision for income taxes	9,091	1.4	12,628	2.1
Income from continuing operations	16,386	2.7	16,070	2.7
Income from discontinued operations	183	0.0	7,058	1.2
Net income	\$ 16,569	2.7%	\$ 23,128	3.9%

Net sales increased by \$25.0 million, or 4.2%, to \$617.4 million for the nine months ended September 30, 2012 from net sales of \$592.5 million for the nine months ended September 30, 2011. The following table sets forth the impact of the Company's acquisitions on net sales for the nine months ended September 30 (in thousands):

	2012	2011	Total Change	Change Due To	
				Acquisitions	Operations
Net sales	\$ 617,419	\$ 592,466	\$ 24,953	\$ 27,257	\$ (2,304)

The increase in net sales from the prior year was primarily the result of the incremental sales generated by three acquisitions completed during the past eighteen months which contributed \$27.3 million or 4.6% of the increase in net sales for the nine months ending September 30, 2012. Net sales from business units operating in both periods decreased 0.4% or \$2.3 million, the result of a 0.8% decrease in pricing to customers offset by a 0.4% increase in volume. While volume increased compared to the similar period for 2011 for our products sold into the majority of our geographic markets, these increases were partially offset by the declines in volume sold in the West Coast residential markets and European markets. The lower selling prices were primarily the result of a slight decline in commodity costs for steel and aluminum and meeting selective competitive situations.

Despite our increase in net sales and a modest increase in volume, our gross margin decreased to 19.0% for the nine months ended September 30, 2012 compared to 20.0% for the nine months ended September 30, 2011. As we continue consolidating certain of our West Coast locations with similar products and market characteristics, we have incurred consolidation costs related to this consolidation which included a \$2.2 million charge to write-down excess inventory in the second quarter of 2012. We believe completing the initiatives to restructure the West Coast locations will lead to improved gross margins in future periods. The decline in gross margin during the current period was partially offset by a more favorable alignment of material costs to customer selling prices.

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Selling, general, and administrative (SG&A) expenses increased by \$2.9 million, or 3.9%, to \$78.4 million for the nine months ended September 30, 2012 from \$75.5 million for the nine months ended September 30, 2011. The \$2.9 million increase was the net result of \$4.1 million of SG&A expense from acquired businesses and a \$2.6 million increase in equity compensation, due to stronger performance of the Company's stock price. These increases were partially offset by \$2.5 million in cost reductions due to consolidation of facilities along with a \$0.9 million reduction in restructuring and acquisition related costs from the prior year. SG&A expenses as a percentage of net sales was unchanged at 12.7% for both the nine months ended September 30, 2012 and 2011.

Interest expense decreased \$0.3 million to \$14.0 million for the nine months ended September 30, 2012 compared to \$14.3 million for the nine months ended September 30, 2011. The interest expense incurred in both periods primarily relates to our \$204.0 million of Senior Subordinated 8% Notes. Net interest expense for the nine months ended September 30, 2011, was higher due to funds borrowed under our revolving credit facility to finance the acquisitions of D.S. Brown and Award Metals, partially offset by \$0.2 million of interest income earned on the \$8.5 million note held resulting from the sale of SCM Metal Products in 2008. This note receivable was collected in full during November 2011. No amounts were outstanding under our revolving credit facility during the nine months ended September 30, 2012.

We recognized a provision for income taxes of \$9.1 million for the nine months ended September 30, 2012, an effective tax rate of 35.7%, compared with a provision for income taxes of \$12.6 million, an effective rate of 44.0% for the same time period in 2011. The effective tax rate for the nine months ending September 30, 2012 was less than the rate from a year ago due to lower non-deductible expenses and discrete benefits including reversals of uncertain tax positions incurred during the current year. The effective tax rate for the same period in 2011 exceeded the U.S. federal statutory rate due to state taxes and non-deductible permanent differences, including a \$0.9 million charge for the equity compensation surrendered by Gibraltar's Chief Executive Officer which was not deductible for tax purposes.

## **Outlook**

For full year 2012, we expect revenues to increase approximately 3% primarily from incremental revenues of our most recent acquisitions. The markets we serve have been impacted by strong headwinds during 2012 which have limited our organic growth. We believe the continued recovery in the residential and non-residential construction markets will provide stronger growth opportunities during 2013.

We expect full year gross margin to approximate 19% in 2012 based on our assumption that volatility in raw material costs will level out, as well as, costs to complete our West Coast reorganization will continue to subside. For 2012, we expect SG&A expense to approximate \$26 million per quarter, or 13% of full year revenues.

Our expectations for other financial measures for our continuing operations include net interest expense at a run rate of \$4.7 to \$4.8 million per quarter, a full year effective tax rate of 36%, and capital expenditures approximating \$11 million for the year.

Over the long-term, we believe that the fundamentals of the residential and non-residential markets are positive and the aggressive actions taken to streamline and improve the efficiency of our businesses have reduced our break-even point and positioned Gibraltar to generate marked improvements in profitability when economic and market conditions return toward historical levels.

**Table of Contents****Liquidity and Capital Resources***General*

Our principal capital requirements are to fund our operations, including working capital, the purchase and funding of capital improvements to our business and facilities, and to fund acquisitions. During the next twelve months, we will focus on investing in growth opportunities while also maintaining working capital efficiency and cost reduction efforts to minimize the cash invested to grow our business. During the first nine months of 2012, we invested cash in our working capital to meet the upcoming higher seasonal demand from our customers as noted below in the Cash Flow section of Item 2 of this Quarterly Report on Form 10-Q.

As of September 30, 2012, our liquidity of \$211.1 million consisted of \$71.1 million of cash and \$140.0 million of availability under our revolving credit facility. We believe this liquidity together with the cash expected to be generated from operations should be sufficient to fund working capital needs and future growth. We continue to search for strategic acquisitions noting that a larger acquisition may require additional borrowings and/or the issuance of securities such as debt or our common stock.

Our Senior Credit Agreement provides the Company with liquidity and capital resources for use by our U.S. operations. Historically, our foreign operations generated cash flow from operations sufficient to invest in working capital and to fund capital improvements to their businesses and facilities. As of September 30, 2012, our foreign subsidiaries held \$20.8 million of cash. We believe cash held by our foreign subsidiaries and their expected future ability to generate cash from operations provide our foreign operations with the necessary liquidity to meet their future obligations and allow the foreign business units to reinvest in their operations and could eventually be used to help grow our business internationally through transactions similar to our acquisition of Edvan.

Over the long-term, we expect that future obligations, including strategic business opportunities such as acquisitions, may be financed through a number of sources, including internally available cash resources, new debt financing, the issuance of equity securities, or any combination of the above. We evaluate potential acquisitions based upon their expected ability to enhance our existing products, operations, or capabilities, as well as provide access to new products, markets, and customers.

These expectations are forward-looking statements based upon currently available information and may change if conditions in the credit and equity markets further deteriorate or other circumstances change. To the extent that operating cash flows are lower than current levels or sources of financing are not available or available at acceptable terms, our future liquidity may be adversely affected.

*Cash Flows*

The following table sets forth selected cash flow data for the nine months ended September 30 (in thousands):

	2012	2011
Cash provided (used in) by:		
Operating activities of continuing operations	\$ 26,616	\$ 31,210
Investing activities of continuing operations	(9,140)	(55,686)
Financing activities of continuing operations	(1,336)	(1,261)
Discontinued operations	119	(1,402)
Effect of exchange rate changes	751	(672)
Net increase (decrease) in cash and cash equivalents	\$ 17,010	\$ (27,811)

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During the nine months ended September 30, 2012, net cash provided by continuing operations totaled \$26.6 million, primarily driven by income from continuing operations of \$16.4 million and non-cash charges including depreciation, amortization, and stock compensation of \$27.1 million, partially offset by a \$16.9 million investment in working capital. Net cash provided by operating activities for the nine months ended September 30, 2011 was \$31.2 million primarily driven by income from continuing operations of \$16.1 million and non-cash charges including depreciation, amortization, and stock compensation of \$26.5 million partially offset by a \$11.4 million investment in working capital.

During the nine months ended September 30, 2012, the Company invested \$16.9 million in its working capital to fund growth in sales and inventory to meet demand in our seasonally strongest periods. Cash invested in working capital and other net assets included \$19.4 million and \$0.6 million increases in accounts receivable and inventory, respectively, partially offset by a \$6.1 million increase in accounts payable. The increase in accounts receivable was a result of increased sales volume. Inventory and accounts payable increased due to increased manufacturing activity. The increased sales volume and manufacturing activity were a direct result of the seasonally higher customer order levels that impact our business. The decrease in accrued liabilities of \$5.2 million was largely due to performance-based variable compensation awards earned in 2009 and 2011 that were paid during the first quarter of 2012, partially offset by accruals for long term incentive plans earned during 2012.

Cash used in investing activities of continuing operations for the nine months ended September 30, 2012 of \$9.1 million primarily consisted of \$2.7 million for the Edvan acquisition and \$6.9 million for capital expenditures. Cash used in investing activities during the nine months ended September 30, 2011 of \$55.7 million consisted primarily of \$107.6 million of acquisitions and capital expenditures of \$7.8 million offset by \$59.0 million of proceeds from the sale of our USP business.

Cash used in financing activities from continuing operations for the nine months ended September 30, 2012 of \$1.3 million primarily consisted of \$1.0 million of treasury stock repurchases related to net settlement of vested stock units and \$0.4 million on long-term debt payments. Cash used in financing activities for the nine months ended September 30, 2011 of \$1.3 million primarily consisted of \$0.8 million of treasury stock repurchases related to net settlement upon vesting of restricted stock units and net repayments of \$0.4 million on long-term debt.

*Senior Credit Agreement and Senior Subordinated Notes*

Borrowings under the 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 Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount that does 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 Senior Credit Agreement provides the Company with flexibility by allowing for Gibraltar to request additional financing from the banks to increase the revolving credit facility to \$250 million.

The revolving credit facility is currently committed through June 8, 2015, six months prior to the maturity date of the 8% Senior Subordinated Notes. Should the Company choose to refinance the Notes prior to June 8, 2015, the maturity date of the revolving credit facility extends to October 10, 2016. Only one financial covenant is contained within the Senior Credit Agreement, which requires the Company to maintain a fixed charge ratio (as defined in the agreement) of 1.25 to 1.00 or higher on a trailing four-quarter basis. The Company met this financial covenant as of September 30, 2012 and believes it will maintain compliance with the covenant throughout 2012 and 2013.

Borrowings under the Senior Credit Agreement bear interest at a variable interest rate based upon the London Interbank Offered Rate (LIBOR) plus an additional margin of 2.0% to 2.5% on the revolving credit facility based on the amount of availability under the revolving credit facility. The revolving credit facility also carries an annual facility fee of 0.375% on the undrawn portion of the facility and fees on outstanding letters of credit which are payable quarterly. As of September 30, 2012, no amounts were outstanding on the revolving credit facility. We had outstanding letters of credit of \$13.6 million as of September 30, 2012.

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The Company's \$204.0 million of 8% Notes were issued in December 2005 at a discount to yield 8.25%. Provisions of the 8% Notes include, without limitation, restrictions on indebtedness, liens, and distributions from restricted subsidiaries, asset sales, affiliate transactions, dividends, and other restricted payments. Dividend payments are subject to annual limits of \$0.25 per share and \$10 million. The 8% Notes are currently redeemable at the option of the Company, in whole or in part, at the redemption price (as defined in the Senior Subordinated 8% Notes Indenture), which declined to 103% on December 1, 2011 and will decline to 101% and 100% on and after December 1, 2012 and 2013, respectively. The 8% Notes are due December 1, 2015. In the event of a Change in Control (as defined in the Senior Subordinated 8% Notes Indenture), each holder of the 8% Notes may require the Company to repurchase all or a portion of such holder's 8% Notes at a purchase price equal to 101% of the principal amount thereof. As of September 30, 2012, we had \$202.6 million, net of discount, of our 8% Notes outstanding.

Each of our significant domestic subsidiaries has guaranteed the obligations under the Senior Credit Agreement. The 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 Senior Subordinated 8% Notes Indenture also contains provisions that limit additional borrowings based on the Company's consolidated coverage ratio.

### **Off Balance Sheet Financing Arrangements**

We have no off-balance sheet arrangements, other than operating leases, that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

### **Contractual Obligations**

Our contractual obligations have not changed materially from the disclosures included in Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

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### **Critical Accounting Policies**

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

Our most critical accounting policies include the valuation of accounts receivable; valuation of inventory; allocation of purchase price of acquisitions; assessment of recoverability of depreciable and amortizable long-term assets, goodwill, and other indefinite-lived intangible assets; and accounting for income taxes and deferred tax assets and liabilities, which are described in Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

There have been no changes in critical accounting policies in the current year.

### **Related Party Transactions**

A member of our Board of Directors, Gerald S. Lippes, is a partner in a law firm that provides legal services to Gibraltar. For the three and nine months ended September 30, 2012, the Company incurred expense of \$0.3 million and \$0.9 million, respectively, for legal services from this firm. The Company incurred \$0.3 million and \$1.5 million for legal services from this firm during the three and nine months ended September 30, 2011. At both September 30, 2012 and December 31, 2011, the Company had \$0.3 million, recorded in accounts payable for amounts due to this law firm.

A member of the Company's Board of Directors, Robert E. Sadler, Jr., is a member of the Board of Directors of M&T Bank Corporation, one of the ten participating lenders which have committed capital to our \$200 million revolving credit facility in the Company's Senior Credit Agreement. All amounts outstanding under the revolving credit facility were repaid in full as of September 30, 2012 and December 31, 2011. Therefore, no principal or interest was paid to the lenders during the nine months ended September 30, 2012.

Borrowings under the Senior Credit Agreement bear interest at a variable rate based upon the London Interbank Offered Rate (LIBOR) plus an additional margin of 2.0% to 2.5%, based on the amount of borrowings available to Gibraltar. The revolving credit facility also carries an annual facility fee of 0.375% on the undrawn portion of the facility and fees on outstanding letters of credit which are payable quarterly.

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### **Recent Accounting Pronouncements**

The Financial Accounting Standards Board has not issued any Accounting Standards Updates that are applicable to Gibraltar since our Annual Report on Form 10-K was filed for the year ended December 31, 2011.

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

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition, and raw materials pricing and availability. In addition, the Company is exposed to other financial market risks, primarily related to its long-term debt and foreign operations. There have been no material changes to the Company's exposure to market risk since December 31, 2011.

### Item 4. Controls and Procedures

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

The Company maintains a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). The Company's Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer, and Senior Vice President and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls as of the end of the period covered in this report. Based upon that evaluation and the definition of disclosure controls and procedures contained in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, the Company's Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer, and Senior Vice President and Chief Financial Officer have concluded that as of the end of such period the Company's disclosure controls and procedures were effective.

#### (b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined by Rule 13a-15(f)) that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings  
Not applicable.

Item 1A. Risk Factors  
In addition to the other information set forth in this report, you should carefully consider the risks discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operation, cash flows, and future prospects. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may materially adversely impact our business, financial condition, or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds  
Not applicable.

Item 3. Defaults Upon Senior Securities  
Not applicable.

Item 4. Mine Safety Disclosures  
Not applicable.

Item 5. Other Information  
Not applicable.

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Item 6. Exhibits

6(a) Exhibits

- a. Exhibit 3.1 Amended and Restated Bylaws of Gibraltar Industries, Inc. filed August 1, 2012 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed August 3, 2012).
- b. Exhibit 31.1 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- c. Exhibit 31.2 Certification of President and Chief Operating Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- d. Exhibit 31.3 Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- e. Exhibit 32.1 Certification of the Chairman of the Board and Chief Executive Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
- f. Exhibit 32.2 Certification of the President and Chief Operating Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
- g. Exhibit 32.3 Certification of the Senior Vice President and Chief Financial Officer, pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
- h. Exhibit 101.INS XBRL Instance Document \*
- i. Exhibit 101.SCH XBRL Taxonomy Extension Schema Document \*
- j. Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document \*
- k. Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document \*
- l. Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document \*
- m. Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase Document \*

\* Submitted electronically with this Quarterly Report on Form 10-Q.



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SIGNATURES

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

GIBRALTAR INDUSTRIES, INC.

(Registrant)

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

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

/s/ Kenneth W. Smith  
Kenneth W. Smith  
Senior Vice President and  
  
Chief Financial Officer

Date: November 1, 2012