GIBRALTAR STEEL CORP
Form S-3
February 14, 2002

As filed with the Securities and Exchange Commission on February 14, 2002
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GIBRALTAR STEEL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	16-1445150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3556 Lake Shore Road
P.O. Box 2028
Buffalo, New York 14219-0228
(716) 826-6500
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Brian J. Lipke
Chairman of the Board and
Chief Executive Officer
Gibraltar Steel Corporation
3556 Lake Shore Road
P. O. Box 2028
Buffalo, New York 14219-0228
(716) 826-6500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box. [_]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in conjunction with dividend or interest reinvestment plans, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share /(1)/	Proposed Maximum Aggregate Offering Price /(1)/	Am Registra
Common Stock ($.01 par value)	3,450,000 shares/(3)/	$17.90	$61,755,000	$5

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) (based on the average high and low prices of the common stock as quoted on the Nasdaq National Market on February 11, 2002).

(2) A filing fee in the amount of $16,345 previously paid by the registrant with respect to Registration No. 33-65762 filed on July 24, 2001 is being used to off-set this fee.

(3) Includes up to 450,000 shares which may be issued upon exercise of the Underwriters' over-allotment option.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2002

PROSPECTUS

[LOGO] GIBRALTAR

3,000,000 Shares

Gibraltar Steel Corporation

Common Stock
$ per share

We are selling 2,500,000 shares of our common stock and the selling stockholders named in this prospectus are selling 500,000 shares. We will not receive any proceeds from the sale of the shares by the selling stockholders. We have granted the underwriters an option to purchase up to 450,000 additional shares of common stock to cover over-allotments.

Our common stock is quoted on the Nasdaq National Market under the symbol "ROCK." The last reported sale price of our common stock on the Nasdaq National Market on February 13, 2002, was $17.67 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Gibraltar, before expenses	$	$
Proceeds to the selling stockholders, before expenses	$	$

The underwriters expect to deliver the shares to purchasers on or about , 2002.

Salomon Smith Barney

McDonald Investments Inc.

, 2002

CURRENT U.S. LOCATIONS

[Map of United States with dots indicating the location of current processing, manufacturing and distribution facilities of Gilbraltar Steel Corporation]

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You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus. Accordingly, it does not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the information under "Risk Factors" and the consolidated financial statements and the notes thereto included elsewhere in this prospectus before making an investment decision. Unless the context otherwise requires, references to "we," "us" or "our" refer collectively to Gibraltar Steel Corporation and its subsidiaries. Unless otherwise stated, all information contained in this prospectus assumes no exercise of the over-allotment option granted to the underwriters.

The Company

We are a leading processor, manufacturer and provider of high value-added, high margin steel products and services. Since our initial public offering in 1993, we have continued to build upon our core competencies of processing and manufacturing by expanding into the metal processing, building and construction products and commercial heat-treating markets through strategic acquisitions and internal growth. We are now the second largest domestic commercial heat-treater and have become a major supplier of metal building and construction products. We have broadened our product lines and services, entered new geographic and end-user markets and expanded our customer base through the acquisition of 15 businesses for approximately $296 million and the investment of approximately $140 million in capital expenditures. As a result of this growth, we now have 54 facilities in 20 states and Mexico serving more than 10,000 customers in a variety of industries.

Since our initial public offering, our operating approach and the successful execution of our growth strategy have enabled us to outperform most of our publicly traded competitors in the processor and service center industry with respect to net sales, EBITDA and net income growth. From 1993 through 2000, we achieved eight consecutive fiscal years of record net sales and EBITDA, and our net sales, EBITDA and net income increased at compound annual growth rates of 22.1%, 25.7% and 18.7%, respectively. In addition, our EBITDA margin expanded from 9.7% in 1993 to 12.0% in 2000. As a result of the general economic slowdown, net sales, EBITDA and net income for the first nine months of 2001 decreased by 9.8%, 24.1% and 47.9%, respectively, as compared to the results generated in the first nine months of 2000.

We classify our operations into three segments--Processed Steel Products, Building Products and Heat Treating. Our operations utilize any one or a combination of more than 25 different processes to manufacture and deliver a variety of high-quality steel products and services. Our Processed Steel Products segment produces cold-rolled strip steel that is used in applications which demand more precise widths, improved surface conditions and tighter gauge tolerances than are supplied by primary producers of flat-rolled steel products, as well as heavy duty steel strapping that is used to close and reinforce packages such as cartons and crates. Our Building Products operations manufacture and distribute more than 5,000 building and construction products including steel lumber connectors, metal roofing and accessories, ventilation products and mailboxes. Our Heat Treating segment provides specialized heat-treating services which refine the metallurgical properties of customer-owned metal products for a variety of industries that require critical performance characteristics.

We sell our products both domestically and internationally to manufacturers and distributors and, to a lesser extent, directly to end-users for a wide range of applications. Additionally, we sell our products to consumers through hardware and building products distributors and mass merchandisers. Our major commercial markets include the automotive, automotive supply, building and construction, steel, machinery and general manufacturing industries.

Our Opportunity

The steel industry is comprised of primary steel producers, service centers, processors and end product manufacturers. Primary steel producers typically focus on the production and sale of standard size and tolerance steel to large volume purchasers, including steel processors. Service centers typically provide services such as storage and shipping, slitting and cutting to length. Steel processors, through the application of various higher value-added processes such as cold-rolling and specialized heat-treating methods, process steel of a precise grade, temper, tolerance and finish. End product manufacturers incorporate the processed steel into finished goods.

We have developed a set of steel and metal processing core competencies as a processor operating between primary steel producers and end product manufacturers. Industry statistics indicate that although the number of service centers and processors has decreased from approximately 7,000 in 1980 to approximately 3,400 in 2000, annual sales by service centers and processors have increased from $30 billion in 1996 to $75 billion in 2000.

Our industry has been impacted recently as manufacturers have increasingly outsourced non-core business functions and consolidated their suppliers to improve productivity and cost efficiency. We believe that manufacturer outsourcing and the consolidation of suppliers will continue to become more prevalent, resulting in increased demand for our products and services in the future.

Our Competitive Strengths

We have established a reputation as an industry leader in quality, service and innovation and have achieved a strong competitive position in our markets. We attribute this primarily to the following competitive strengths:

- our ability to provide high value-added products and services;
- our ability to identify and integrate acquisitions;
- the diversification of our customers, products and services;
- our commitment to quality;
- the efficiency of our inventory purchasing and management; and
- our experienced management team.

Our Strategy

Our strategic objective is to further enhance our position as a leading processor, manufacturer and provider of high value-added, high margin steel products and services. We plan to achieve this objective through the aggressive pursuit of our business strategy, which includes:

- a focus on high value-added, high margin steel products and services;
- a commitment to internal growth and continuous cost reduction;
- a commitment to external growth through the acquisition of businesses which are immediately accretive to our earnings per share, have long-term growth potential and also complement, expand and enhance our products and services and broaden our markets and customer base; and
- a dedication to quality, service and customer satisfaction.

Recent Developments

On January 24, 2002, we issued a press release reporting our sales and earnings for the quarter and year ended December 31, 2001. We announced that sales in 2001 were $616 million, a decrease of 9.1% from sales of $678 million in 2000. In the fourth quarter of 2001, sales were $140 million, down 6.4% from $150 million in the fourth quarter of 2000.

Net income in 2001 was $12.5 million, or $0.98 per diluted share, compared to $24.4 million, or $1.92 per diluted share, in 2000. Net income in the fourth quarter of 2001 was $1.5 million, or $0.12 per diluted share, compared to $3.2 million, or $0.26 per diluted share, in the fourth quarter of 2000.

For additional financial information with respect to the quarter and year ended December 31, 2001, you should review our Current Report on Form 8-K, filed with the SEC on February 14, 2002, which is incorporated by reference into this prospectus. See "Incorporation by Reference."

Corporate Information

Our company was incorporated under the laws of the State of Delaware in 1993. Our executive offices are located at 3556 Lake Shore Road, Buffalo, New York 14219 and our telephone number is (716) 826-6500. Our Internet web site address is www.gibraltar1.com. Information contained on our web site is not a part of this prospectus.

The Offering

Common stock being offered by:	
Our company	2,500,000 shares
The selling stockholders	500,000 shares
Total	3,000,000 shares
Common stock to be outstanding after this offering	15,098,499 shares /(1)/
Use of proceeds	We will use the net proceeds to repay a portion of our outstanding bank indebtedness, some of which was used to fund the acquisition of Pennsylvania Industrial Heat Treaters and capital expenditures. We will not receive any proceeds from shares sold by the selling stockholders. See "Use of Proceeds."
Nasdaq National Market symbol	ROCK

/(1)/Excludes (i) an aggregate of 400,000 shares of common stock reserved for issuance under our Non-Qualified Stock Option Plan, of which 247,500 shares were subject to outstanding options as of September 30, 2001 at a weighted average exercise price of $13.34 per share, (ii) an aggregate of 1,475,000 shares of common stock reserved for issuance under our Incentive Stock Option Plan of which 841,242 shares were subject to outstanding options as of September 30, 2001 at a weighted average exercise price of $16.56 per share and (iii) an aggregate of 41,000 shares of common stock reserved for issuance under our Restricted Stock Plan.

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Summary Consolidated Financial Data

The summary consolidated financial data presented below have been derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers LLP, except that the data for the nine-month periods ended September 30, 2000 and 2001 are derived from unaudited consolidated financial statements which, in our opinion, reflect all adjustments necessary for a fair presentation. The consolidated balance sheets as of December 31, 1999 and 2000 and September 30, 2000 and 2001 and the related statements of income, cash flow and shareholders' equity for the three years ended December 31, 2000 and the nine-month periods ended September 30, 2000 and 2001 and notes thereto appear elsewhere in this prospectus. Results for the nine-month periods are not necessarily indicative of results for the full year. The summary consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this prospectus.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
	(in thousands, except per share d				
Income Statement Data:					
Net sales	$342,974	$449,700	$557,944	$621,918	$677,540
Gross profit	61,257	74,163	101,495	127,973	135,797
Income from operations before amortization /(1)/	31,282	33,606	46,567	58,308	63,868
Amortization	665	1,003	2,112	2,839	3,976
Income from operations	30,617	32,603	44,455	55,469	59,892
Interest expense	3,827	5,115	11,389	13,439	18,942
Income before income taxes	26,790	27,488	33,066	42,030	40,950
Net income	15,975	16,416	19,840	25,008	24,365
Earnings per Share Data:					
Diluted	$ 1.39	$ 1.30	$ 1.57	$ 1.95	$ 1.92
Basic	$ 1.42	$ 1.33	$ 1.59	$ 1.99	$ 1.94
Weighted average shares outstanding--Diluted	11,464	12,591	12,651	12,806	12,685
Weighted average shares outstanding--Basic	11,261	12,357	12,456	12,540	12,577
Other Data:					
EBITDA /(2)/	$ 36,863	$ 41,081	$ 57,788	$ 72,921	$ 81,080
Capital expenditures	15,477	21,784	22,062	21,999	19,619
Depreciation and amortization	6,246	8,478	13,333	17,452	21,188
Cash dividends per share	--	--	--	$ 0.150	$ 0.115
Balance Sheet Data (end of period): /(3)/					
Working capital	$ 68,673	$ 87,645	$124,236	$112,923	$132,407
Goodwill	20,199	30,275	79,971	115,350	130,368
Total assets	222,507	281,336	438,435	522,080	556,046
Total debt	49,841	83,024	200,746	236,621	255,853
Shareholders' equity	121,744	140,044	160,308	185,459	208,348

/(1)/Amortization expense is comprised of amortization of goodwill and other intangible assets. Amortization of goodwill was $557,000, $880,000, $1,949,000, $2,647,000 and $3,710,000 in 1996, 1997, 1998, 1999 and 2000, respectively, and $2,707,000 and $3,118,000 for the nine-month periods ended September 30, 2000 and 2001, respectively.

/(2)/EBITDA is defined as the sum of income before income taxes, interest expense, depreciation expense and amortization of intangible assets (including goodwill). EBITDA is commonly used as an analytical indicator and also serves as a measure of leverage capacity and debt servicing ability. EBITDA should not be considered as a measure of financial performance under accounting principles generally accepted in the United States. The items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in our consolidated financial statements as an indicator of financial performance or liquidity. EBITDA as measured in this prospectus is not necessarily comparable with similarly titled measures for other companies.

/(3)/See "Capitalization" for the unaudited pro forma balance sheet data assuming that consummation of this offering and application of the estimated proceeds therefrom to reduce indebtedness had occurred on September 30, 2001.

HISTORICAL FINANCIAL PERFORMANCE

[CHART]

Net Sales
(in millions)
CAGR/(1)/(through 2000)=22%

[Bar graph showing the net sales of Gibraltar Steel corporation for each of the years 1993 through 2000 and for the nine-month period ended September 30, 2001 in $100 million increments ranging from $0 to $800.0 million. For each such year, the net sales for the period from January through September are differentiated from that for the period October through December.]

	Jan.-Sep.	Oct.-Dec.
1993	126,917	40,966
1994	149,294	50,848
1995	209,793	73,040
1996	256,504	86,470
1997	341,739	107,961
1998	413,893	144,051
1999	466,954	154,964
2000	527,483	150,057
2001	475,584	

[CHART]
EBITDA/(2)/
(in millions)
CAGR (through 2000)=26%

[Bar graph showing EBITDA of Gibraltar Steel Corporation for each of the years 1993 through 2000 and for the nine month period ended September 30, 2001 in $10 million increments ranging from $0 to $90 million. For each such year, EBITDA for the period from January through September is differentiated from that for the period October through December.]

	Jan.-Sep.	Oct.-Dec.
1993	13,629	2,704
1994	14,826	4,798
1995	18,880	6,026
1996	27,778	9,085
1997	31,801	9,280
1998	42,086	15,702
1999	55,161	17,760
2000	64,765	16,315
2001	49,186	

[CHART]

Net Income
(in millions)
CAGR (through 2000)=19%

[Bar graph showing the net income for Giraltar Steel Corporation for each of the years 1993 through 2000 and for the nine-month period ended September 30, 2001 in increments of $5 million from $0 to $30 million. For each such year, the net income for the period January through September is differentiated from that for the period October through December. Net income for 1993 is presented on a pro forma basis.]

	Jan.-Sep.	Oct-Dec.
1993	6,154	1,183
1994	6,794	2,015
1995	7,483	2,239
1996	11,903	4,072
1997	12,930	3,486
1998	15,018	4,822
1999	19,470	5,538
2000	21,117	3,248
2001	10,998	

/(1)/CAGR refers to compounded annual growth rate for the years 1993 through 2000.

/(2)/EBITDA is defined as the sum of income before income taxes, interest expense, depreciation expense, and amortization of intangible assets (including goodwill). EBITDA is commonly used as an analytical indicator and also serves as a measure of leverage capacity and debt servicing ability. EBITDA should not be considered as a measure of financial performance under accounting principles generally accepted in the United States. The items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in our consolidated financial statements as an indicator of financial performance or liquidity. EBITDA as measured in this prospectus is not necessarily comparable with similarly titled measures for other companies.

/(3)/Pro forma results assume income taxation as a C corporation.

RISK FACTORS

You should carefully consider the following risks and uncertainties and all other information contained in this prospectus, or incorporated herein by reference, before you decide whether to purchase our common stock. Any of the following risks, should they materialize, could adversely affect our business, financial condition or operating results. As a result, the trading price of our common stock could decline and you could lose all or part of your investment.

Our future operating results may be affected by fluctuations in steel prices. We may not be able to pass on increases in raw material costs to our customers.

Our principal raw material is flat-rolled steel, which we purchase from multiple primary steel producers. The steel industry as a whole is very cyclical, and at times pricing can be volatile due to a number of factors beyond our control, including general economic conditions, labor costs, competition, import duties, tariffs and currency exchange rates. This volatility can significantly affect our raw material costs.

We are required to maintain substantial inventories of steel to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase steel on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers based upon historic buying practices and market conditions. In an environment of increasing raw material prices, competitive conditions will impact how much of the steel price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the profitability of our business could be adversely affected.

The building and construction industry and the automotive industry account for a significant portion of our sales and reduced demand from these industries is likely to adversely affect our profitability.

Sales of our products for use in the building and construction industry accounted for approximately 49%, 50%, 51% and 56% of our net sales in 1998, 1999, 2000 and for the first nine months of 2001, respectively. These sales were made primarily to retail home center chains and wholesale distributors. The building and construction industry is cyclical, with product demand based on numerous factors such as interest rates, general economic conditions, consumer confidence and other factors beyond our control.

Sales of our products for use in the automotive industry accounted for approximately 30%, 32%, 30% and 26% of our net sales in 1998, 1999, 2000 and for the first nine months of 2001, respectively. Such sales include sales directly to auto manufacturers and to manufacturers of automotive components and parts. The automotive industry experiences significant fluctuations in demand based on numerous factors such as general economic conditions, consumer confidence and other factors beyond our control.

We also sell our products to customers in other industries that experience cyclicality in demand for products, such as the steel and machinery and equipment industries. None of these industries individually represented more than 10% of our annual net sales in 2000.

Downturns in demand from the building and construction industry, the automotive industry or any of the other industries we serve, or a decrease in the prices that we can realize from sales of our products to customers in any of these industries, could adversely affect our profitability.

The success of our business is affected by general economic conditions and our business could be adversely impacted by an economic slowdown or recession.

Periods of economic slowdown or recession in the United States or other countries, or the public perception that one may occur, could decrease the demand for our products, affect the availability and price of our products and adversely impact our business. In 2000, for example, we were somewhat impacted by the general slowing in the economy. That impact has continued, and in the first three quarters of 2001 we did not maintain the same

level of sales or profitability as in the first three quarters of 2000. Excluding the impact of any additional acquisitions that we may make during 2001, it may be difficult to achieve the same level of sales volume and net income in 2001 as we achieved last year.

We may not be able to successfully identify, manage and integrate future acquisitions, and if we are unable to do so, we are unlikely to sustain our historical growth rates and our stock price may decline.

Historically, we have grown through a combination of internal growth and external expansion through acquisitions and a joint venture. Although we intend to actively pursue our growth strategy in the future, we cannot provide any assurance that we will be able to identify appropriate acquisition candidates or, if we do, that we will be able to successfully negotiate the terms of an acquisition, finance the acquisition or integrate the acquired business effectively and profitably into our existing operations. Integration of an acquired business could disrupt our business by diverting management away from day-to-day operations. Further, failure to successfully integrate any acquisition may cause significant operating inefficiencies and could adversely affect our profitability and the price of our stock. Consummating an acquisition could require us to raise additional funds through additional equity or debt financing. Additional equity financing could depress the market price of our common stock. Additional debt financing could require us to accept covenants that limit our ability to pay dividends.

Our business is highly competitive and increased competition could reduce our gross profit and net income.

The principal markets that we serve are highly competitive. Competition is based primarily on the precision and range of achievable tolerances, quality, price, raw materials and inventory availability and the ability to meet delivery schedules dictated by customers. Our competition in the markets in which we participate comes from companies of various sizes, some of which have greater financial and other resources than we do and some of which have more established brand names in the markets we serve. Increased competition could force us to lower our prices or to offer additional services at a higher cost to us, which could reduce our gross profit and net income.

Principal stockholders have the ability to exert significant control in matters requiring stockholder vote and could delay, deter or prevent a change in control of our company.

Upon the consummation of this offering, approximately 38% (or approximately 37% if the underwriters' over-allotment option is exercised in full) of our outstanding common stock, including shares of common stock issuable under options granted which are exercisable within 60 days will be owned by Brian J. Lipke, Neil E. Lipke and Eric R. Lipke, each of whom is an executive officer of our company, Meredith A. Lipke, an employee of our company and Curtis W. Lipke, all of whom are siblings, Patricia K. Lipke, mother of the Lipke siblings, and certain trusts for the benefit of each of them. As a result, the Lipke family will continue to have significant influence over all actions requiring stockholder approval, including the election of our board of directors. Through their concentration of voting power, the Lipke family could delay, deter or prevent a change in control of our company or other business combinations that might otherwise be beneficial to our other stockholders. In deciding how to vote on such matters, the Lipke family may be influenced by interests that conflict with yours.

Certain provisions of our charter documents and Delaware law could discourage potential acquisition proposals and could deter, delay or prevent a change in control of our company that our stockholders consider favorable and could depress the market value of our common stock.

Certain provisions of our certificate of incorporation and by-laws, as well as provisions of the Delaware General Corporation Law, could have the effect of deterring takeovers or delaying or preventing changes in control or management of our company that our stockholders consider favorable and could depress the market value of our common stock.

Our certificate of incorporation provides that certain mergers, sales of assets, issuances of securities, liquidations or dissolutions, reclassifications or recapitalizations involving interested stockholders must be approved by holders of at least 80% of the outstanding voting stock, unless such transactions are approved by a majority of the disinterested directors or certain minimum price, form of consideration and procedural requirements are satisfied. An interested stockholder is defined as a holder of stock representing 20% or more of the shares of voting stock then outstanding. Our certificate of incorporation further provides that the affirmative vote of the holders of 80% of the total votes eligible to be cast in the election of directors is required to amend, alter, change or repeal such provisions. The requirement of such a super-majority vote could enable a minority of our stockholders to exercise veto powers over such amendments, alterations, changes or repeals.

We are a Delaware corporation subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. Generally, this statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which such person became an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the stockholder. We anticipate that the provisions of Section 203 may encourage parties interested in acquiring us to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

We depend on our senior management team and the loss of any member could adversely affect our operations.

Our success is dependent on the management and leadership skills of our senior management team. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel could prevent us from implementing our business strategy. We cannot assure you that we will be able to retain our existing senior management personnel or to attract additional qualified personnel when needed. We have not entered into employment agreements with any of our senior management personnel other than Brian J. Lipke, our Chairman of the Board and Chief Executive Officer.

We are a holding company and rely on distributions from our subsidiaries to meet our financial obligations.

We have no direct business operations other than our ownership of the capital stock of our subsidiaries. As a holding company, we are dependent on dividends or other intercompany transfers of funds from our subsidiaries to enable us to pay dividends and to meet our direct obligations.

Future sales of our common stock could depress our market price and diminish the value of your investment.

Future sales of shares of our common stock could adversely affect the prevailing market price of our common stock. If our existing stockholders sell a large number of shares, or if we issue a large number of shares, the market price of our common stock could significantly decline. Moreover, the perception in the public market that these stockholders might sell shares of common stock could depress the market for our common stock.

Although, we, our directors, our executive officers and the selling stockholders have entered into lock-up agreements with Salomon Smith Barney, as representative of the underwriters, whereby we and they will not offer, sell, contract to sell, pledge, grant or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, except for the shares of common stock to be sold in this offering and certain other exceptions, for a period of 90 days from the date of this prospectus, without the prior written consent of Salomon Smith Barney, we and/or any of these persons may be released from this obligation, in whole or in part, by Salomon Smith Barney in its sole discretion at any time with or without notice.

We are subject to various environmental laws which may require us to incur substantial costs thereby reducing our profits.

Our facilities are subject to many federal, state, local and foreign laws and regulations relating to the protection of the environment. Failure to comply with environmental laws, regulations and permits, or changes in such laws, including the imposition of more stringent standards for discharges into the environment, could result in substantial operating costs and capital expenditures in order to maintain compliance and could also include fines and civil or criminal sanctions, third party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations. Certain of our facilities have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Environmental liabilities could exist, including cleanup obligations at these or at other locations where materials from our operations were disposed of, which could result in future expenditures that cannot be currently quantified and which could reduce our profits.

A write-down of our goodwill may be required by recent accounting pronouncements which could materially impair our net worth.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 Business Combinations and Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets. FAS 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. FAS 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill should be amortized over their useful lives. As a result of our acquisition strategy, we have a material amount of goodwill recorded on our financial statements. If, as a result of the implementation of FAS 141 and/or FAS 142, we are required to write-down any of our goodwill, our net worth will be reduced. Since our credit agreement contains a covenant requiring us to maintain a minimum net worth, this reduction in net worth, if substantial, may result in an event of default under the credit agreement which would prevent us from borrowing additional funds and limit our ability to pay dividends.

Our operations are subject to seasonal fluctuations which may impact our cash flow.

Our revenues are generally lower in the first and fourth quarters primarily due to customer plant shutdowns in the automotive industry due to holidays and model changeovers, as well as reduced activity in the building and construction industry due to weather. In addition, quarterly results may be affected by the timing of large customer orders, by periods of high vacation concentration and by the timing and magnitude of acquisition costs. Therefore, our cash flow from operations may vary from quarter to quarter. If, as a result of any such fluctuation, our quarterly cash flow was significantly reduced, we may not be able to service the indebtedness under our credit agreement. A default in our credit agreement would prevent us from borrowing additional funds and limit our ability to pay dividends, and allow our lenders to enforce their liens against our personal property.

FORWARD LOOKING STATEMENTS

This prospectus and the documents incorporated by reference contain forward looking statements, including, without limitation, statements concerning conditions in the markets we serve and our business, financial condition and operating results and including, in particular, statements relating to our growth strategies. We use words like "believe," "expect," "anticipate," "intend," "future" and other similar expressions to identify forward looking statements. Purchasers of our common stock should not place undue reliance on these forward looking statements, which speak only as of their respective dates. These forward looking statements are based on our current expectations and are subject to a number of risks and uncertainties, including, without limitation, those identified under "Risk Factors" and elsewhere in this prospectus. Our actual operating results could differ materially from those predicted in these forward looking statements and any other events anticipated in the forward looking statements may not actually occur.

USE OF PROCEEDS

We expect to receive net proceeds of approximately $41.4 million from this offering ($48.9 million if the underwriters exercise their over-allotment in full), after deducting underwriting discounts, commissions and our estimated offering expenses, based on an assumed offering price to the public of $17.67 per share (the last reported sale price on February 13, 2002). We will not receive any proceeds from the sale of the shares of common stock being sold by the selling stockholders.

We intend to use the net proceeds from this offering to repay a portion of the borrowings outstanding under our existing credit facility, which expires in April 2003. In 2001, borrowings under our credit facility were used primarily to fund the acquisition of Pennsylvania Industrial Heat Treaters and capital expenditures. Our credit facility provides for a revolving credit line of up to $310 million. The amounts outstanding under our credit facility bear interest at various rates above the London InterBank Offered Rate (LIBOR) or at the agent bank's prime rate, as selected by us. We have entered into interest rate swap agreements which convert certain of our borrowings under the credit facility from variable interest indebtedness to fixed interest indebtedness. At September 30, 2001, amounts outstanding under our credit facility were approximately $221.7 million, bearing interest at a weighted average interest rate of 5.66%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Our credit facility is secured by substantially all of our accounts receivable, inventory, equipment and fixtures and other personal property, now owned or hereafter acquired. Our credit facility contains covenants restricting our ability to make capital expenditures, incur additional indebtedness, sell a substantial portion of our assets, merge or make acquisitions or investments in an amount in excess of $20 million, and obligates us to meet certain financial requirements. In addition, our credit facility contains certain restrictions on our ability to pay dividends.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2001 (i) on an actual basis and (ii) as adjusted to give effect to this offering and the application of the estimated net proceeds received by us to repay indebtedness under our credit facility. See "Use of Proceeds." You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	As of September 30, 2001	
	Actual	As Adjusted
	(in thousands)	
Total short-term debt	$ 530	$ 530
Long-term debt, net of current portion	$226,496	$185,130
Shareholders' equity:		
Common stock, $.01 par value, 50,000,000 shares authorized, 12,598,499 shares issued and outstanding (15,098,499 shares issued and outstanding, as adjusted)/ (1)/	126	151
Additional paid-in capital	69,032	110,373
Retained earnings	149,484	149,484
Accumulated comprehensive loss	(1,986)	(1,986)
Total shareholders' equity	216,656	258,022
Total capitalization	$443,152	$443,152

/(1)/Excludes (i) an aggregate of 400,000 shares of common stock reserved for issuance under our Non-Qualified Stock Option Plan, of which 247,500 shares were subject to outstanding options as of September 30, 2001 at a weighted average exercise price of $13.34 per share, (ii) an aggregate of 1,475,000 shares of common stock reserved for issuance under our Incentive Stock Option Plan of which 841,242 shares were subject to outstanding options as of September 30, 2001 at a weighted average exercise price of $16.56 per share and (iii) an aggregate of 41,000 shares of common stock reserved for issuance under our Restricted Stock Plan.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the Nasdaq National Market under the symbol "ROCK." The following table sets forth, for the calendar periods indicated, the high and low sale prices per share for our common stock as reported on the Nasdaq National Market.

	Common Stock Price High	Common Stock Price Low
Year Ended December 31, 1999		
First Quarter	$23.500	$17.000
Second Quarter	25.250	19.750
Third Quarter	25.750	20.125
Fourth Quarter	26.000	21.750
Year Ended December 31, 2000		
First Quarter	24.000	14.750
Second Quarter	18.813	12.813
Third Quarter	19.375	14.000
Fourth Quarter	18.000	11.500
Year Ended December 31, 2001		
First Quarter	18.125	14.250
Second Quarter	22.000	15.688
Third Quarter	20.220	13.430
Fourth Quarter	20.960	15.150
Year Ended December 31, 2002		
First Quarter	18.330	17.130

On February 13, 2002, the last reported sale price of our common stock on the Nasdaq National Market was $17.67 per share. As of September 30, 2001, there were 137 holders of record of our common stock.

DIVIDEND POLICY

Since March 1999, we have declared quarterly cash dividends on our common stock as set forth in the table below. We may reconsider or revise this policy from time to time based upon conditions then existing, including, without limitation, our earnings, financial condition, capital requirements or other conditions our board of directors may deem relevant. In addition, our credit facility contains covenants that may restrict our ability to pay dividends. Such covenants include, among others, a requirement that we maintain a minimum net worth equal to $120 million plus 50% of our cumulative net income from June 30, 1997 ($163.7 million as of September 30, 2001) and comply with other financial ratios relating to our ability to pay our current obligations. Although we expect to continue to declare and pay cash dividends on our common stock in the future if earnings are available, we cannot assure you that either cash or stock dividends will be paid in the future on our common stock or that, if paid, the dividends will be in the same amount or at the same frequency as paid in the past.

	Dividend per Share
Year Ended December 31, 1999	
First Quarter	$0.075 /(1)/
Second Quarter	0.025
Third Quarter	0.025

Fourth Quarter	0.025
Total	$0.150
Year Ended December 31, 2000	
First Quarter	$0.025
Second Quarter	0.030
Third Quarter	0.030
Fourth Quarter	0.030
Total	$0.115
Year Ended December 31, 2001	
First Quarter	$0.035
Second Quarter	$0.035
Third Quarter	$0.035

/(1)/Includes a special dividend of $0.05 per share.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below have been derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers LLP, except that the data for the nine-month periods ended September 30, 2000 and 2001 are derived from unaudited consolidated financial statements which, in our opinion, reflect all adjustments necessary for a fair presentation. The consolidated balance sheets as of December 31, 1999 and 2000 and September 30, 2000 and 2001 and the related statements of income, cash flow and shareholders' equity for the three years ended December 31, 2000 and the nine-month periods ended September 30, 2000 and 2001 and notes thereto appear elsewhere in this prospectus. Results for the nine-month periods are not necessarily indicative of results for the full year. The selected consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this prospectus.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
	(in thousands, except per share				
Income Statement Data:					
Net sales	$342,974	$449,700	$557,944	$621,918	$677,540
Gross profit	61,257	74,163	101,495	127,973	135,797
Income from operations before amortization/ (1)/	31,282	33,606	46,567	58,308	63,868
Amortization	665	1,003	2,112	2,839	3,976
Income from operations	30,617	32,603	44,455	55,469	59,892
Interest expense	3,827	5,115	11,389	13,439	18,942
Income before income taxes	26,790	27,488	33,066	42,030	40,950
Net income	15,975	16,416	19,840	25,008	24,365

Earnings per Share Data:					
Diluted	$1.39	$1.30	$1.57	$1.95	$1.92
Basic	$1.42	$1.33	$1.59	$1.99	$1.94
Weighted average shares outstanding--Diluted	11,464	12,591	12,651	12,806	12,685
Weighted average shares outstanding--Basic	11,261	12,357	12,456	12,540	12,577
Other Data:					
EBITDA /(2)/	$ 36,863	$ 41,081	$ 57,788	$ 72,921	$ 81,080
Capital expenditures	15,477	21,784	22,062	21,999	19,619
Cash dividends per share	--	--	--	$ 0.150	$ 0.115
Balance Sheet Data (end of period): /(3)/					
Working capital	$ 68,673	$ 87,645	$124,236	$112,923	$132,407
Goodwill	20,199	30,275	79,971	115,350	130,368
Total assets	222,507	281,336	438,435	522,080	556,046
Total debt	49,841	83,024	200,746	236,621	255,853
Shareholders' equity	121,744	140,044	160,308	185,459	208,348

/(1)/Amortization expense is comprised of amortization of goodwill and other intangible assets. Amortization of goodwill was $557,000, $880,000, $1,949,000, $2,647,000 and $3,710,000 in 1996, 1997, 1998, 1999 and 2000, respectively, and $2,707,000 and $3,118,000 for the nine-month periods ended September 30, 2000 and 2001, respectively.

/(2)/EBITDA is defined as the sum of income before income taxes, interest expense, depreciation expense and amortization of intangible assets (including goodwill). EBITDA is commonly used as an analytical indicator and also serves as a measure of leverage capacity and debt servicing ability. EBITDA should not be considered as a measure of financial performance under accounting principles generally accepted in the United States. The items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in our consolidated financial statements as an indicator of financial performance or liquidity. EBITDA as measured in this prospectus is not necessarily comparable with similarly titled measures for other companies.

/(3)/See "Capitalization" for the unaudited pro forma balance sheet data assuming that consummation of this offering and application of the estimated proceeds therefrom to reduce indebtedness had occurred on September 30, 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Since our initial public offering in 1993, our operations have been characterized by the four key elements of our business strategy: a focus on high value-added, high margin steel products and services; a commitment to internal growth and continuous cost reduction; a commitment to external expansion through the acquisition of related businesses with long-term growth potential; and a dedication to quality, service and customer satisfaction. Because of changes in our activities from year to year, the results of operations for prior periods may not necessarily be comparable to, or indicative of, results of operations for current or future periods. Implementation of our business strategy has resulted in a compound annual growth rate for net sales of approximately 22.1% for the years 1993 through 2000, and a compound annual growth rate for income from operations of approximately 24.5% during the same period.

Segments

We are organized into three reportable segments on the basis of the production process, and products and services provided by each segment, identified as follows:

(i) Processed Steel Products, which primarily includes the intermediate processing of wide, open tolerance flat-rolled sheet steel through the application of up to 12 different processes to produce high-quality, value-added coiled steel products to be further processed by customers.

(ii) Building Products, which primarily includes the processing of sheet steel to produce a wide variety of building and construction products.

(iii) Heat Treating, which includes a wide range of metallurgical heat treating processes in which customer-owned metal parts are exposed to precise temperatures, atmospheres and quenchants to improve their mechanical properties, durability and wear resistance.

Results of Operations

The following tables set forth for each of the periods presented certain income statement data in dollars and as a percentage of net sales. With respect to the interim periods presented, see the discussion of "Seasonality" below.

	Year Ended December 31,			Nine Months Ended September 30, (unaudited)	
	1998	1999	2000	2000	2001
	(in thousands)				
Net sales	$557,944	$621,918	$677,540	$527,483	$475,584
Cost of sales	456,449	493,945	541,743	420,456	384,688
Gross profit	101,495	127,973	135,797	107,027	90,896
Selling, general and administrative, before amortization	54,928	69,665	71,929	55,077	55,899
Income from operations before amortization	46,567	58,308	63,868	51,950	34,997
Amortization	2,112	2,839	3,976	2,948	3,350
Income from operations	44,455	55,469	59,892	49,002	31,647
Interest expense	11,389	13,439	18,942	13,511	13,163
Income before taxes	33,066	42,030	40,950	35,491	18,484
Income taxes	13,226	17,022	16,585	14,374	7,486
Net income	$ 19,840	$ 25,008	$ 24,365	$ 21,117	$ 10,998

	Year Ended December 31, 1998	1999	2000	Nine Months Ended September 30, 2000 (unaudited)	2001
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	81.8	79.4	80.0	79.7	80.9
Gross profit	18.2	20.6	20.0	20.3	19.1
Selling, general and administrative, before amortization	9.8	11.2	10.6	10.4	11.7
Income from operations before amortization	8.4	9.4	9.4	9.9	7.4
Amortization	0.4	0.5	0.6	0.6	0.7
Income from operations	8.0	8.9	8.8	9.3	6.7
Interest expense	2.0	2.2	2.8	2.6	2.8
Income before taxes	6.0	6.7	6.0	6.7	3.9
Income taxes	2.4	2.7	2.4	2.7	1.6
Net income	3.6%	4.0%	3.6%	4.0%	2.3%

Quarter Ended

(unaudited)
(dollar amounts in thousands)

	March 31, 2000		June 30, 2000		September 30, 2000		March 31, 2001		June 30, 2001	
Net sales	$167,634	100.0%	$181,523	100.0%	$178,326	100.0%	$150,550	100.0%	$163,550	100
Cost of sales	133,086	79.4	144,907	79.8	142,463	79.9	122,065	81.1	131,469	80
Gross profit	34,548	20.6	36,616	20.2	35,863	20.1	28,485	18.9	32,081	19
Selling, general and administrative, before amortization	19,271	11.5	18,239	10.1	17,567	9.8	17,661	11.7	18,892	11
Income from operations before amortization	15,277	9.1	18,377	10.1	18,296	10.3	10,824	7.2	13,189	8
Amortization	959	0.6	961	0.5	1,028	0.6	1,082	0.7	1,135	0
Income from operations	14,318	8.5	17,416	9.6	17,268	9.7	9,742	6.5	12,054	7
Interest expense	4,208	2.5	4,217	2.3	5,086	2.9	4,892	3.3	4,460	2
Income before taxes	10,110	6.0	13,199	7.3	12,182	6.8	4,850	3.2	7,594	4
Income taxes	4,095	2.4	5,345	3.0	4,934	2.7	1,964	1.3	3,076	1
Net income	$ 6,015	3.6%	$ 7,854	4.3%	$ 7,248	4.1%	$ 2,886	1.9%	$ 4,518	2

Nine Months Ended September 30, 2001 Compared to Nine Months Ended September 30, 2000

Consolidated

Net sales of $161.5 million for the third quarter ended September 30, 2001 decreased 9.4% from net sales of $178.3 million for the prior year's third quarter. Net sales of $475.6 million for the nine months ended September 30, 2001, which included net sales of Milcor (acquired July 17, 2000) and Pennsylvania Industrial Heat Treaters (acquired February 13, 2001), decreased 9.8% from sales of $527.5 million for the nine months ended September 30, 2000. These decreases resulted primarily from changes in the general economy, particularly reduced production levels in the automotive industry.

Gross profit decreased to 18.8% of net sales for the third quarter ended September 30, 2001 from 20.1% for the prior year's third quarter. Gross profit decreased to 19.1% of net sales for the first nine months of 2001 from 20.3% for the nine months ended September 30, 2000. These decreases were due primarily to higher transportation, health insurance, utility, labor costs and fixed costs as a percentage of net sales due to lower sales volume in 2001 compared to the same periods for 2000, partially offset by lower raw material costs in 2001.

Selling, general and administrative expenses increased to 12.7% and 12.5% of net sales for the third quarter and nine months ended September 30, 2001, in comparison to 10.4% and 11.0% of net sales for the same periods of 2000. These increases were primarily due to the non-cash charge of $1.0 million relating to the Company's E-Commerce investment and costs from the acquisitions of Milcor and Pennsylvania Industrial Heat Treaters, which have higher selling, general and administrative costs as a percentage of net sales than our existing operations, partially offset by decreases in incentive based compensation.

As a result of the above, income from operations as a percentage of net sales for the third quarter ended September 30, 2001 decreased to 6.1% from 9.7% for the prior year's third quarter and to 6.7% for the nine months ended September 30, 2001 from 9.3% for the same period in the prior year.

Interest expense decreased by approximately $1.3 million and $0.3 million for the third quarter and nine months ended September 30, 2001 over the prior year's comparable periods, primarily due to decreases in interest rates offset by interest costs related to higher average borrowings during 2001 to finance acquisitions and capital expenditures.

As a result of the above, income before taxes decreased by $6.1 million and $17.0 million for the third quarter and nine months ended September 30, 2001 from the same periods in 2000.

Income taxes for the third quarter and nine months ended September 30, 2001 approximated $2.4 million and $7.5 million and were based on a 40.5% effective tax rate in both periods.

Segment Information

Processed Steel Products. Net sales of $66.3 million for the third quarter ended September 30, 2001 decreased 16.9% from net sales of $79.8 million for the prior year's third quarter. Net sales of $192.7 million for the nine months ended September 30, 2001 decreased 23.9% from sales of $253.2 for the nine months ended September 30, 2000. These decreases were primarily due to changes in the general economy, particularly reduced production levels in the automotive industry.

Income from operations decreased to 11.1% of net sales for the third quarter ended September 30, 2001 from 12.5% for the prior year's third quarter. Income from operations decreased to 11.5% of net sales for the nine months ended September 30, 2001 from 12.4% for the same period in 2000. These decreases were primarily due to higher health insurance and utility costs as a percentage of net sales, partially offset by lower raw material costs.

Building Products. Net sales of $78.3 million for the third quarter ended September 30, 2001 decreased 2.0% from net sales of $79.8 million for the prior year's third quarter. Net sales of $228.3 million for the nine months ended September 30, 2001 increased 6.6% from sales of $214.2 million for the nine months ended September 30, 2000. The sales decrease in the third quarter of 2001 was primarily due to changes in the general economy. The sales increase for the nine months ended September 30, 2001 was primarily due to including the sales of Milcor (acquired July 17, 2000) partially offset by sales decreases at existing operations due to changes in the general economy.

Income from operations decreased to 6.7% of net sales for the third quarter ended September 30, 2001 from 9.3% for the prior year's third quarter. Income from operations for the nine months ended September 30, 2001 decreased to 7.1% of net sales from 8.8% for the same period in 2000. These decreases were primarily due to

higher costs as a percentage of net sales from the Milcor acquisition, higher freight, transportation and utility costs at existing operations, and during the third quarter higher material costs. These cost increases were partially offset by decreases as a percentage of net sales in incentive based compensation and other employee costs at existing operations.

Heat Treating. Net sales of $16.9 million for the third quarter ended September 30, 2001 decreased 9.8% from net sales of $18.7 million for the prior year's third quarter. Net sales of $54.6 million for the nine months ended September 30, 2001 decreased 9.1% from sales of $60.1 for the nine months ended September 30, 2000. These decreases were primarily due to changes in the general economy, particularly reduced production levels in the automotive industry, partially offset by including the net sales of Pennsylvania Industrial Heat Treaters (acquired February 13, 2001).

Income from operations decreased to 9.7% of net sales for the third quarter ended September 30, 2001 from 13.0% for the prior year's third quarter. Income from operations decreased to 12.8% of net sales for the nine months ended September 30, 2001 from 17.2% for the same period in 2000. These decreases were primarily due to higher health insurance and utility costs as a percentage of net sales at existing operations, partially offset by decreases in incentive based compensation and by lower costs as a percentage of net sales resulting from the acquisition of Pennsylvania Industrial Heat Treaters.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Consolidated

Net sales increased $55.6 million, or 8.9%, to $677.5 million in 2000 from $621.9 million in 1999, despite the elimination of $19.4 million in sales from disposed of operations that were included in 1999 sales and a slowdown in the automotive and building and construction products markets in the fourth quarter of 2000. This increase primarily resulted from including the net sales of Milcor (acquired July 17, 2000) from its acquisition date, and a full year of net sales of Southeastern Heat Treating (acquired April 1, 1999), Weather Guard (acquired July 1, 1999), Hi-Temp (acquired August 1, 1999), Brazing Concepts (acquired November 1, 1999) and Hughes (acquired December 1, 1999), together with sales growth at existing operations.

Cost of sales increased $47.8 million, or 9.7%, to $541.7 million in 2000 from $493.9 million in 1999. Cost of sales as a percentage of net sales increased to 80.0% in 2000 from 79.4% in 1999 primarily due to the impact of the slowdown in the automotive and construction products markets in the fourth quarter of 2000.

Selling, general and administrative expenses increased $3.4 million, or 4.7%, to $75.9 million in 2000 from $72.5 million in 1999. Selling, general and administrative expenses as a percentage of net sales decreased to 11.2% in 2000 from 11.7% in 1999 primarily due to the elimination of expenses from disposed of operations and decreases in performance based compensation, partially offset by higher costs attributable to the 1999 and 2000 acquisitions.

Interest expense increased $5.5 million from 1999 to 2000 due to higher borrowings as a result of the acquisitions and current year capital expenditures and due to a higher effective interest rate in 2000 than in 1999.

As a result of the above, income before taxes decreased $1.1 million, or 2.6%, to $40.9 million in 2000 from $42.0 million in 1999.

Income taxes approximated $16.6 million in 2000, resulting in a 40.5% effective tax rate.

Segment Information

Processed Steel Products. Net sales for 2000 remained at approximately the same level as the prior year at $321.3 million compared to $322.2 million in 1999. Sales growth from continuing operations offset approximately $19.4 million in sales from disposed of operations in 1999.

Income from operations decreased 0.3% to $39.1 million in 2000 from $39.2 million in 1999. Operating margin for 2000 remained consistent with the prior year at 12.2%, primarily as a result of the favorable effect of the elimination of higher costs related to the disposed of operations offset by reduced higher margin sales due to

the slowdown in the automotive industry in the fourth quarter of 2000, higher raw material costs related to the automotive industry and an increase in performance-based compensation.

Building Products. Sales increased $28.4 million, or 11.4%, to $277.7 million in 2000 from $249.3 million in 1999. This increase was primarily due to including the net sales of Milcor (acquired July 17, 2000), Weather Guard (acquired July 1, 1999) and Hughes (acquired December 1, 1999), partially offset by a decrease in net sales of existing operations due to changes in the general economy.

Income from operations decreased by 11.8% to $22.5 million in 2000 from $25.5 million in 1999. Operating margin decreased to 8.1% in 2000 from 10.2% in

1999. This decrease was due to reduced sales volume from existing operations, increased transportation costs, fixed employee costs and higher direct labor costs related to the acquisition of Milcor, partially offset by a decrease in performance-based compensation.

Heat Treating. Net sales increased $28.1 million, or 55.8%, to $78.5 million in 2000 from $50.4 million in 1999. This increase was primarily due to including the net sales of Southeastern Heat Treating (acquired April 1, 1999), Hi-Temp (acquired August 1, 1999) and Brazing Concepts (acquired November 1, 1999).

Income from operations increased 55.3% to $13.1 million in 2000 from $8.4 million in 1999 primarily due to higher sales volumes from the acquisitions of Southeastern Heat Treating, Hi-Temp and Brazing Concepts. Operating margin for 2000 decreased slightly to 16.6% from 16.7% in 1999 due to increases in utility and direct labor costs offset by decreased costs related to performance-based compensation and higher margins resulting from the acquisitions of Southeastern Heat Treating, Hi-Temp and Brazing Concepts.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Consolidated

Net sales increased $64.0 million, or 11.5%, to $621.9 million in 1999 from $557.9 million in 1998. This increase primarily resulted from including the net sales of Southeastern Heat Treating (acquired April 1, 1999), Weather Guard (acquired July 1, 1999), Hi-Temp (acquired August 1, 1999), Brazing Concepts (acquired November 1, 1999) and Hughes (acquired December 1, 1999) from their respective acquisition dates, and a full year of net sales of Solar (acquired March 1, 1998), Appleton (acquired April 1, 1998), USP (acquired June 1, 1998) and Harbor (acquired October 1, 1998), together with sales growth at existing operations.

Cost of sales increased $37.5 million, or 8.2%, to $493.9 million in 1999 from $456.4 million in 1998. Cost of sales as a percentage of net sales decreased to 79.4% in 1999 from 81.8% in 1998. This improvement was due to the 1999 and 1998 acquisitions, which have historically generated higher margins than our existing operations, and lower raw material costs at existing operations.

Selling, general and administrative expenses increased $15.5 million, or 27.1%, to $72.5 million in 1999 from $57.0 million in 1998. Selling, general and administrative expenses as a percentage of net sales increased to 11.7% in 1999 from 10.2% in 1998. This increase was due to higher costs as a percentage of net sales attributable to the 1999 and 1998 acquisitions, and performance-based compensation linked to our sales and profitability.

Interest expense increased by $2.0 million from 1998 to 1999 primarily due to higher borrowings in 1999 as a result of our current year acquisitions and capital expenditures and due to a higher effective interest rate in 1999 than in 1998.

As a result of the above, income before taxes increased $9.0 million, or 27.1%, to $42.0 million in 1999 from $33.1 million in 1998.

Income taxes approximated $17.0 million in 1999, resulting in a 40.5% effective tax rate compared with a 40.0% effective tax rate in 1998.

Segment Information

Processed Steel Products. Net sales decreased $5.8 million, or 1.8%, to $322.2 million in 1999 from $328.0 million in 1998. This decrease primarily resulted from a $3.9 million reduction in sales from a division that was sold in 1999 and from a concentration of efforts to eliminate lower margin sales.

Income from operations increased 9.9% to $39.2 million in 1999 from $35.7 million in 1998. Operating margin for 1999 increased to 12.2% from 10.9% in 1998. These improvements were primarily due to lower raw material costs partially offset by higher employee costs.

Building Products. Net sales increased $47.5 million, or 23.5%, to $249.3 million in 1999 from $201.8 million in 1998. This increase primarily resulted from including the net sales of Weather Guard (acquired July 1, 1999) and Hughes (acquired December 1, 1999) and the net sales of Solar (acquired March 1, 1998), Appleton (acquired April 1, 1998) and USP (acquired October 1, 1998), together with sales growth at existing operations.

Income from operations increased 37.2% to $25.5 million in 1999 from $18.6 million in 1998, primarily due to higher sales volumes from the acquisitions of Weather Guard, Hughes, Solar, Appleton and USP. Operating margin for 1999 increased to 10.2% from 9.2% in 1998, primarily due to the 1999 and 1998 acquisitions and lower raw material costs at existing operations.

Heat Treating. Net sales increased $22.3 million, or 79.3%, to $50.4 million in 1999 from $28.1 million in 1998. This increase primarily resulted from including the net sales of Hi-Temp (acquired August 1, 1999) and Brazing Concepts (acquired November 1, 1999) and the net sales of Harbor (acquired October 1, 1998), together with sales growth at existing operations.

Income from operations increased 75.6% to $8.4 million in 1999 from $4.8 million in 1998 primarily due to higher sales volumes from the acquisitions of Hi-Temp, Brazing Concepts and Harbor. The operating margin of 16.7% in 1999 decreased only slightly from 17.0% in 1998 since the Brazing Concepts and Harbor acquisitions generated margins similar to those of existing operations.

Liquidity and Capital Resources

Our principal capital requirements are to fund our operations, including working capital requirements, the purchase and funding of improvements to our property and equipment and to fund acquisitions.

Our working capital increased approximately 17.3% to $132.4 million at December 31, 2000 from $112.9 million at December 31, 1999. This increase resulted primarily from the inclusion of inventories from the Milcor acquisition in July 2000 and a decrease in accounts payable and accrued expenses resulting from decreased purchases during the fourth quarter of 2000 in response to the slowdown in the automotive and construction products markets. Working capital decreased $18.8 million to $113.6 million at September 30, 2001 from December 31, 2000, primarily due to the use of working capital to pay down long-term debt related to our revolving credit facility. Long-term debt decreased to 55.1% of total capitalization at December 31, 2000, despite increasing by $20.2 million to $255.5 million. Long-term debt decreased $29.0 million to $226.5 million, or 51.1% of total capitalization, at September 30, 2001. Additionally, shareholders' equity increased 12.3% to $208.3 million at December 31, 2000 and increased 4.0% to $216.7 million at September 30, 2001.

Our primary sources of liquidity are cash provided by operating activities and our revolving credit facility. Net cash provided by operating activities primarily represents net income plus non-cash charges for depreciation and amortization and changes in working capital positions. Net cash provided by operating activities for 1998, 1999, 2000 and the nine months ended September 30, 2001 was $13.3 million, $60.7 million, $34.1 million and $55.7 million, respectively.

Net cash used for investing activities for 1998, 1999, 2000 and the nine months ended September 30, 2001 was $121.3 million, $84.5 million, $54.7 million and $22.3 million, respectively. A significant portion of the net cash used for investment activities represents capital expenditures and our acquisitions of Solar, USP, Appleton and Harbor Metal in 1998; Southeastern Heat Treating, Weather Guard, Hi-Temp, Brazing Concepts and Hughes in 1999; Milcor in 2000 and Pennsylvania Industrial Heat Treaters in February 2001.

Our credit facility, which expires in April 2003, was amended in 2000 to increase the capacity of our revolving credit line to $310 million. Borrowings thereunder are secured with our accounts receivable, inventories and personal property and equipment. At September 30, 2001, $221.7 million was outstanding under our credit facility. At September 30, 2001, we had interest rate swap agreements outstanding which effectively converted $50 million of borrowings under our revolving credit agreement to fixed rates ranging from 7.47% to 8.18%. We account for interest rate swap agreements on an accrual basis. Additional borrowings under the revolving credit facility carry interest at LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 5.66% at September 30, 2001.

We intend to use the net proceeds of this offering to repay a portion of outstanding borrowings under our credit facility. See "Use of Proceeds." Upon consummation of this offering and application of the net proceeds therefrom, aggregate borrowings outstanding under the credit facility will be approximately $172.8 million. We anticipate that we will be able to satisfy such obligations out of funds generated from operations.

The availability under our credit facility after application of the net proceeds of this offering will be approximately $137.2 million. We believe that this availability, together with funds generated from operations, will be sufficient to provide us with the liquidity and capital resources necessary to fund our anticipated working capital requirements for at least the next twelve months. In addition, we believe that we will have the financial capability to incur additional long-term indebtedness if that becomes appropriate in connection with our internal and external expansion strategies.

Effects of Inflation

We do not believe that inflation has had a material effect on our results of operations over the periods presented.

Seasonality

Our revenues are generally lower in the first and fourth quarters primarily due to customer plant shutdowns in the automotive industry due to holidays, as well as model changeovers and reduced activity in the building and construction industry due to weather. In addition, quarterly results may be affected by the timing of large customer orders, by periods of high vacation concentration and by the timing and magnitude of acquisition costs. Therefore, our operating results for any particular quarter are not necessarily indicative of results for any subsequent quarter or for the full year.

Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to various market risk factors, including changes in general economic conditions, competition and raw materials pricing and availability. In addition, we are exposed to market risk, primarily related to our long-term debt. To manage interest rate risk, we use fixed and variable rate debt. We also enter into interest rate swap agreements that convert our variable rate debt to fixed rate debt. At September 30, 2001, we had $50 million of revolving credit borrowings that was fixed rate debt pursuant to these agreements.

The following table summarizes the principal cash flows and related interest rates of our long-term debt at December 31, 2000 by expected maturity dates. The weighted average interest rates are based on the actual rates

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that existed at December 31, 2000. The variable rate debt consists primarily of the credit facility, of which $250,251,000 is outstanding at December 31, 2000. The credit facility matures during 2003 and we anticipate extending this facility. A 1% increase or decrease in interest rates would change the 2001 interest expense by approximately $2.0 million.

	2001	2002	2003	2004	2005	2006 and After	Total
	(dollar amounts in thousands)						
Long-term debt (fixed)	$ 127	$ 413	$ 124	$ 129	$ 80	$1,229	$ 2,102
Weighted average interest rate	6.95%	6.99%	6.86%	6.93%	7.00%	7.00%	
Long-term debt (variable)	$ 200	$ 400	$250,751	$ 500	$ 400	$1,500	$253,751
Weighted average interest rate	8.66%	8.66%	8.66%	5.58%	5.58%	5.58%	
Interest rate swaps (notional amount)	$50,000	$50,000	$ 50,000	$50,000	$10,000	--	
Interest pay rate	7.99%	7.99%	7.99%	7.99%	7.47%	--	
Interest receive rate	8.70%	8.70%	8.70%	8.70%	8.70%	--	

The fair value of the long-term debt is $253,751,000 at December 31, 2000.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 Accounting for Derivative Instruments and Hedging Activities. FAS No. 133 requires recognition of the fair value of derivatives in the statement of financial position, with changes in the fair value recognized either in earnings or as a component of other comprehensive income dependent upon the hedging nature of the derivative. This Statement was implemented in 2001 and did not have a material impact on our earnings.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 Business Combinations and Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets. FAS No. 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. FAS No. 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill should be amortized over their useful lives. Implementation of FAS No. 141 and FAS No. 142 is required for fiscal 2002. The Financial Accounting Standards Board published FAS No. 141 and FAS No. 142 in late July 2001. Management is currently assessing the impact FAS No. 141 and FAS No. 142 will have on our results of operations.

BUSINESS

General

We are a leading processor, manufacturer and provider of high value-added, high margin steel products and services. We utilize any one or a combination of several different processes at each of our operating facilities to add substantial value to raw materials acquired from primary steel and other metal producers. Underlying each of these processes and services is a common set of core competencies in steel and metal processing. These core competencies are the foundation upon which all of our operations and products and services are based.

We classify our operations into three segments--Processed Steel Products, Building Products and Heat Treating. Our Processed Steel Products segment produces a wide variety of cold-rolled strip steel products, coated sheet steel products and strapping products in 15 facilities in 6 states and Mexico. Our processed cold-rolled strip steel products comprise a part of the cold-rolled sheet steel market that is defined by more precise widths, improved surface conditions, more diverse chemistry and tighter gauge tolerances than are supplied by primary manufacturers of flat-rolled steel products. Our cold-rolled strip steel products are sold to manufacturers in the automotive, automotive supply, power and hand tool and hardware industries, as well as to other customers who demand critical specifications in their raw material needs. Our coated sheet steel products, which include galvanized, galvalume and pre-painted sheet products, are sold primarily to the commercial and residential metal building industry for roofing and siding applications. Our heavy duty steel strapping products are used to close and reinforce packages such as cartons and crates for shipping.

Our Building Products segment primarily includes the processing of sheet steel to produce a wide variety of building and construction products. Many of our building and construction products meet and exceed increasingly stringent building codes and insurance company requirements governing both residential and commercial construction. This segment's products are sold to major home center stores, lumber and building material wholesalers, buying groups, discount stores, distributors and general contractors engaged in residential, industrial and commercial construction.

Our Heat Treating segment operates 14 facilities in nine states. They provide a wide array of processes which refine the metallurgical properties of customer-owned metal products for a variety of consumer and industrial applications where critical performance characteristics are required.

Note 16 to our consolidated financial statements included elsewhere in this prospectus provides information related to our business segments in accordance with generally accepted accounting principles. Summary information concerning our business segments for 1998, 1999 and 2000 is set forth below.

	1998	1999	2000
	(in thousands)		

NET SALES			
Processed Steel Products.	$328,022	$322,216	$321,361
Building Products........	201,821	249,320	277,706
Heat Treating............	28,101	50,382	78,473
Total..............	$557,944	$621,918	$677,540
OPERATING INCOME			
Processed Steel Products.	$ 35,673	$ 39,216	$ 39,111
Building Products........	18,587	25,507	22,491
Heat Treating............	4,787	8,408	13,059
Corporate................	(14,592)	(17,662)	(14,769)
Total..............	$ 44,455	$ 55,469	$ 59,892

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The following table sets forth the principal products and services we provide and our respective end-user markets:

Segment	Product/Services	End-User Markets
Processed Steel Products	Precision-rolled high and low carbon and alloy steel from 3/8" to 50" wide and .010" to .250" thick, with special edges and finishes on ribbon wound and oscillated coils; high-tensile steel strapping and packaging supplies; tools and tool repairs and hot-rolled, cold-rolled and coated sheets and coils which are slit, edged, cut-to-length and oscillated; and galvanized, galvalume and pre-painted sheet steel in coils and cut lengths; pickling and inbound inspection, storage, just-in-time delivery, electronic data interchange and communication with supplier and end-user.	Automotive; power and hand tool; chains and hardware; home and office furniture; steel; aluminum; lumber; office equipment; power transmission; stampers and electrical; HVAC distributor; spiral pipe; insulated panels; walk-in coolers and trailers
Building Products	Metal trims, utility sheds, steel lumber connectors, builder's hardware, metal framing, metal roofing, drywall products, gutters and down spouts, ventilation products, storm panel systems for residential and commercial properties, registers, vents, bath cabinets, access doors, roof hatches and telescoping doors; and mailboxes.	Home centers; lumber/building material wholesalers; buying groups; discount stores; HVAC distributors; general contractors in residential, industrial and commercial construction; construction products and metal building and roofing.

Heat Treating	Case-hardening, neutral-hardening and through-hardening processes using methods such as annealing, normalizing, vacuum hardening, carburizing, nitriding and brazing.	Automotive; stampers; electrical; textile; fabricators; platers; foundries; hardware; machinery; aerospace; office equipment; tool and die; medical equipment and construction and farm equipment.

Our Position in the Industry

The steel industry consists of primary steel producers, service centers, processors and end product manufacturers. Primary steel producers typically focus on the production and sale of standard size and tolerance steel to large volume purchasers, including steel processors. Service centers typically provide services such as storage and shipping, slitting and cutting to length. Steel processors, through the application of various higher value-added processes such as cold-rolling and specialized heat-treating methods, process steel of a precise grade, temper, tolerance and finish. End product manufacturers incorporate the processed steel into finished goods.

We have developed a set of steel and metal processing core competencies operating as a processor between primary steel producers and end product manufacturers. Industry statistics indicate that although the number of service centers and processors has decreased from approximately 7,000 in 1980 to approximately 3,400 in 2000, annual sales by service centers and processors have increased from $30 billion in 1996 to $75 billion in 2000.

Over the past five years, we have built upon our core competencies to increase our production of end products and have become the second largest domestic commercial heat-treater and a major supplier of metal building and construction products. Our successful expansion into end product manufacturing has given us access to new, attractive markets, including the home improvement industry with its $200 billion in annual sales, the metal roofing market with its $500 million in annual sales and the commercial heat-treating market with its $2 billion in annual sales. We are also the largest domestic manufacturer of mailboxes and the second largest domestic manufacturer of steel lumber connectors.

Our industry has been impacted recently as manufacturers have increasingly outsourced non-core business functions and consolidated their suppliers to improve productivity and cost efficiency. These trends have created opportunities for our company to provide additional products and services to new customers and markets. We have been able to capitalize on these trends because of:

- the breadth of our products and services;
- our reputation for quality and customer service; and
- our ability to meet our customers' requirements for critical specifications and demanding tolerances.

As a result, the demand for our products and services has grown in recent years. We believe that manufacturer outsourcing and the consolidation of suppliers will continue to become more prevalent, resulting in increased demand for our products and services in the future.

Our Competitive Strengths

We have established a reputation as an industry leader in quality, service and innovation and have achieved a strong competitive position in our markets. We attribute this primarily to the following competitive strengths:

Ability to Provide High Value-Added Products and Services. Our sophisticated technology, state-of-the-art equipment and exacting quality control measures have allowed us to provide high value-added products and services utilizing the most complex and demanding processes in our industry. These capabilities have enabled us to focus on the manufacture of end products and to realize higher margins than many of our competitors who provide less complex processes and services.

Identification and Integration of Accretive Acquisitions. Our growth has been driven largely by our ability to identify and integrate strategic acquisitions that are immediately accretive to our earnings per share, expand our customer base, provide access to new markets, product lines and services and promote long-term growth. As an active acquiror, we are continually presented with acquisition opportunities and are frequently considered the acquiror of choice. Our experience has enabled us to identify those acquisitions that provide us with the greatest likelihood of immediate profitability and growth potential. Generally, we retain the existing management and corporate identity of our acquired companies and preserve their customer and supplier relationships, facilitating a seamless transition. We provide our acquired businesses with access to our management, operating expertise, capital, infrastructure and other resources.

Diversified Customers, Products and Services. As a result of our growth, we have diversified our customers, products and services. Currently we have more than 10,000 active customers across all 50 states, Canada and Mexico. No single customer accounted for more than 7% of our net sales in 2000. We offer a wide variety of processing, including heat-treating, to customers in the automotive, steel, machinery, power and hand tool, furniture and general manufacturing industries. We derive a greater percentage of our sales from high

margin, end-user products than many publicly traded steel processors. In fiscal 2000, approximately one-half of our revenue came from the sale of our more than 5,000 manufactured end products to home centers, building material wholesalers, buying groups, discount stores, HVAC distributors and residential, industrial and commercial contractors. Our diversification reduces our dependence on any particular customer, product or service.

Commitment to Quality. We place great importance on providing our customers with high-quality products for critical use applications. By carefully selecting our raw material vendors, primarily flat-rolled steel producers, and using computerized inspection and analysis, we ensure that the steel entering our production processes will meet the most critical specifications of our customers. To ensure that such specifications are met, we follow carefully documented procedures utilizing statistical process control systems linked directly to processing equipment in order to monitor all stages of production. Physical, chemical and metallurgical analyses are performed throughout the production process to verify that mechanical and dimensional properties, cleanliness, surface characteristics and chemical content are within specification. In addition, all of our facilities that provide services or products to the automotive industry, including 13 of our heat-treating facilities, are QS 9000 certified. QS 9000 is the quality designation that the automotive industry requires of its suppliers.

Efficient Inventory Purchasing and Management. Our inventory consists primarily of flat-rolled steel. We purchase our inventory from numerous suppliers under short-term contracts of one year or less and, to a lesser extent, on the spot market on an as-needed basis. In 2000, we purchased $1 million or more of steel and other metals from 39 different suppliers. Through careful purchasing and close monitoring, our inventory turned an average of 5.3 times per year over our last five fiscal years, compared to an industry average for steel processors and service centers of approximately 4.5 times per year over the same period. Our inventory purchasing and management strategy allows us to react quickly to pricing and demand fluctuations in the metals markets, enabling us to manage our working capital more efficiently.

Experienced Management Team. We have established and continue to maintain a strong management team. The seven most senior members of our management team have more than 200 years of combined service with our company. The management team has successfully guided us through various economic cycles and business environments and continues to provide us with a depth and continuity of experience. Under their leadership, we have been profitable every year since 1976.

Business Strategy

Our strategic objective is to further enhance our position as a leading processor, manufacturer and provider of high value-added, high margin steel products and services. We plan to achieve this objective through the aggressive pursuit of our business strategy, which includes:

Focus on High Value-Added, High Margin Products and Services. We concentrate on processing, manufacturing and providing high value-added steel products and services that typically generate high margins. This focus, together with our ability to deliver consistently reliable products and services, has significantly contributed to profitability. Unlike many of our competitors, approximately half of our revenue is derived from manufactured end products. Since our initial public offering, we have entered the high margin building and construction products and commercial heat-treating markets.

Commitment to Internal Growth and Continuous Cost Reduction. We have an ongoing commitment to grow and improve the profitability of our existing operations. To achieve this goal, we seek to expand our existing product lines into new markets and related products and focus on rigorous cost containment. We have made ongoing investments in new and existing production equipment to improve yield, lower overall manufacturing costs and expand capacity. Since 1993, we have invested approximately $140 million in capital expenditures to improve our existing businesses. Additionally, we seek to reduce costs in the area of inventory management by using a proprietary inventory control system to purchase, monitor and allocate inventory throughout the entire production process.

Commitment to External Expansion. We remain committed to expansion through the acquisition of businesses immediately accretive to our earnings per share with long-term growth potential that also complement our existing businesses, expand and enhance our products and services, broaden our markets and increase our customer base. Implementing our strategy of acquiring companies to increase our business, customer and geographic diversification, since our initial public offering we have made the following 15 acquisitions for an aggregate cash purchase price of approximately $296 million:

Date Acquired	Company	Business Description
February 2001	Pennsylvania Industrial Heat Treaters	Provider of heat-treating to parts that have been manufactured using powdered metallurgy
July 2000	Milcor	Manufacturer of metal building products, including registers, vents, bath cabinets, access doors, roof hatches and telescoping doors
December 1999	Hughes Manufacturing	Provider of steel lumber connectors and other building products
November 1999	Brazing Concepts	Provider of heat-treating processes
August 1999	Hi-Temp	Provider of heat-treating processes
July 1999	Weather Guard	Manufacturer and distributor of metal building products, including rain-carrying systems (gutters and gutter accessories), metal roofing and roofing accessories and assorted other products such as soffit and fascia
April 1999	Southeastern Heat Treating	Provider of heat-treating processes
October 1998	Harbor Metal Treating	Provider of heat-treating processes
June 1998	United Steel Products	Manufacturer of steel lumber connectors and other building products
April 1998	Appleton Supply	Manufacturer of metal building products, including roof edging and flashing
March 1998	The Solar Group	Manufacturer of metal building products, including ventilation products and accessories and a complete line of mailboxes
May 1997	Specialty Heat Treating	Provider of heat-treating processes
January 1997	Southeastern Metals Manufacturing	Manufacturer of galvanized steel, aluminum and copper products, including metal roofing and storm panel systems
February 1996	Carolina Commercial Heat Treating	Provider of heat-treating processes
April 1995	Hubbell Steel	Processor and supplier of galvanized, galvalume and pre-painted steel products

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Dedication to Quality, Service and Customer Satisfaction. We are dedicated to providing our customers with high-quality products for just-in-time delivery, enabling us to establish strong relationships with existing customers as well as attract new customers. Accordingly, we have made significant investments in state-of-the-art equipment, technology and facilities. In addition, our experienced team of skilled computer technicians and managers provide solutions to our customers' inventory control problems. We have an inventory control system that allows customers to directly enter orders, monitor work in progress and receive invoices electronically. All of our facilities that provide services or products to the automotive industry, including 13 of our heat-treating facilities, are QS 9000 certified. As a result of our dedication to quality, service and customer satisfaction, we have received preferred supplier awards from many of our customers, including each of the major domestic automobile manufacturers.

Products and Services

Processed Steel Products Segment

Cold-rolled Strip Steel. Our cold-rolled strip steel is used in applications which demand more precise widths, improved surface conditions and tighter gauge tolerances than are supplied by primary producers of flat-rolled steel products. Consistent with our strategy of focusing on high value-added products and services, we produce a broad range of fully processed cold-rolled strip steel products. We buy wide, open tolerance sheet steel in coils from primary steel producers and process it to specific customer orders by performing such computer-aided processes as cold reduction, annealing, edge rolling, slitting and cutting to length. Cold reduction is the rolling of steel to a specified thickness, temper and finish. Annealing is a thermal process which changes hardness and certain metallurgical characteristics of steel. Edge rolling involves conditioning edges of processed steel into square, full round or partially round shapes. Slitting is the cutting of steel to specified widths. Depending on customer specifications, one or more of these processes are utilized to produce strip steel of a precise grade, temper, tolerance and finish. Customers for our strip steel products include manufacturers in the automotive, automotive supply, power and hand tool, hardware and other industries.

We operate nine rolling mills at our facilities in Cleveland, Ohio and Buffalo, New York, all of which are QS 9000 certified. Equipment at these facilities includes a computerized, three-stand, four-high tandem mill and eight single-stand, two- and four-high mills. We have the capability to process coils up to a maximum of 72 inch outside diameter and roll widths of up to 50 inches. Our rolling mills include automatic gauge control systems with hydraulic screwdowns allowing for microsecond adjustments during processing. Our computerized mills enable us to satisfy industry demand for a wide range of steel from heavier gauge and special alloy steels to low carbon and light gauge steels, in each case having a high-quality finish and precision gauge tolerance. This equipment can process flat-rolled steel to specific customer requirements for thickness tolerances as close as .00025 inches. We also operate a 56-inch reversing mill which we believe is one of the widest of its type in the specialty strip steel industry.

Our rolling facilities are further complemented by 15 high convection annealing furnaces, which allow for shorter annealing times than conventional annealers. Three of our furnaces and bases employ state-of-the-art technology, incorporating the use of a hydrogen atmosphere for the production of cleaner and more uniform steel. As a result of our annealing capabilities, we are able to produce cold-rolled strip with improved consistency in terms of thickness, hardness, molecular grain structure and surface.

We can produce certain strip steel products on oscillated coils, which wind strip steel similar to the way fishing line is wound on a reel. Oscillating the steel strips enables us to put at least six times greater volume of finished product on a coil than standard ribbon winding, allowing customers to achieve longer production runs by reducing the number of equipment shut-downs to change coils. Customers are thus able to increase productivity, reduce downtime, improve yield and lengthen die life. These benefits to customers allow us to achieve higher margins on oscillated products. To our knowledge, only a few other steel processors are able to produce oscillated coils, and we are not aware of any competitor that can produce 12,000 pound oscillated coils, the maximum size we produce.

Steel Strapping Products. Steel strapping is a banding and packaging material used to close and reinforce shipping units such as bales, boxes, cartons, coils, crates and skids. We are one of only four domestic manufacturers of high-tensile steel strapping, which is subject to strength requirements imposed by the American Society for Testing and Materials for packaging of different products for common carrier transport. This high tensile steel strapping is essential to producers of large, heavy products such as steel, paper and lumber where reliability of the packaging material is critical to the safe transport of the product. Our steel strapping facility is located in Buffalo, New York.

Our QS 9000 certified strapping facility manufactures high tensile steel strapping by slitting, oscillating, heat-treating, painting and packaging cold-rolled coils.

Steel strapping is cold-rolled to precise gauge on one of our rolling mills, which incorporates hydraulic screwdowns and automatic gauge controls with statistical charting. This process ensures strapping product of the most uniform gauge available and produces the maximum amount of strapping per pound of steel. All products are tested by on-site laboratory personnel for width, thickness and other physical and metallurgical properties.

To meet the differing needs of our customers, we offer our strapping products in various thicknesses, widths and coil sizes. We also manufacture custom color and printed strapping. In addition, we offer related strapping products, such as seals and tools, and are able to manufacture tensional strapping for lighter duty applications.

Coated Steel Products. Our coated steel products include pre-painted single bill packages, PVC spiral pre-painted product, purlin stock and liner panel stock, and galvanized, galvalume and pre-painted sheet product. We are capable of providing steel in more than 500 colors and in a variety of coatings, including galvanized and galvalume.

Materials Management. We operate two state-of-the-art materials management facilities in New York and Michigan that link primary steel producers and end-user manufacturers by integrating the inventory purchasing, receiving, inspection, billing, storage and shipping functions and producing true just-in-time delivery of materials. Our facilities receive shipments of steel by rail and truck from primary steel producers, which retain ownership of the steel until it is delivered to the end-user manufacturer. We inspect the steel and store it in a climate-controlled environment on a specialized stacker crane and rack system. When an order is placed, we can deliver the steel to the end-user manufacturer within one hour using trucks that have been custom designed for facilitating the loading and unloading process.

These facilities have proprietary and commercially available data processing systems that link the primary steel producer with the end-user manufacturer and also link both parties to the facilities. This gives them direct computer access to inventory on hand, in transit and on order, and enables such manufacturers to transmit their required release schedule through the computer. The shipping personnel are then notified via computer of customer orders that have been released and materials are promptly retrieved and shipped.

We believe our materials management facilities provide benefits to primary steel producers and end-user manufacturers. The primary steel producers can ship materials to the facilities by rail rather than by truck, thereby enabling them to ship products more efficiently. In addition, utilizing the specialized facilities allows primary steel producers to deliver shipments just-in-time and with minimal transportation damage. The end-user manufacturers are able to utilize space previously used for raw material storage to more productive uses. The end-user manufacturers also reduce their inventory carrying costs since possession of inventory is not taken until it is shipped from the facilities. This enables end-user manufacturers to reduce their raw material inventory from several days or weeks to hours.

Steel Pickling Joint Venture. We have a 31% interest in a joint venture that has two steel pickling operations in Ohio. After the hot-rolling process, the surface of sheet steel is left with a residue known as scale, which must be removed prior to further processing by a cleaning process known as pickling. This joint venture pickles steel on a toll basis, receiving fees for pickling services without acquiring ownership of the steel.

Building Prted Basket Composed of the S&P 500® Index, the Russell 2000® Index and the EURO STOXX

Russell 2000® Index	High	Low	Period End
2013			
First Quarter	953.068	872.605	951.542
Second Quarter	999.985	901.513	977.475
Third Quarter	1,078.409	989.535	1,073.786
Fourth Quarter	1,163.637	1,043.459	1,163.637
2014			
First Quarter	1,208.651	1,093.594	1,173.038
Second Quarter	1,192.960	1,095.986	1,192.960
Third Quarter	1,208.150	1,101.676	1,101.676
Fourth Quarter	1,219.109	1,049.303	1,204.696
2015			
First Quarter	1,266.373	1,154.709	1,252.772
Second Quarter	1,295.799	1,215.417	1,253.947
Third Quarter	1,273.328	1,083.907	1,100.688
Fourth Quarter	1,204.159	1,097.552	1,135.889
2016			
First Quarter	1,114.028	953.715	1,114.028
Second Quarter	1,188.954	1,089.646	1,151.923
Third Quarter	1,263.438	1,139.453	1,251.646
Fourth Quarter	1,388.073	1,156.885	1,357.130
2017			
First Quarter	1,413.635	1,345.598	1,385.920
Second Quarter	1,425.985	1,345.244	1,415.359
Third Quarter	1,490.861	1,356.905	1,490.861
Fourth Quarter	1,548.926	1,464.095	1,535.511

2018			
First Quarter	1,610.706	1,463.793	1,529.427
Second Quarter	1,706.985	1,492.531	1,643.069
Third Quarter (through July 23, 2018)	1,704.603	1,643.069	1,698.414

Russell 2000® Index

Daily Index Closing Values

January 1, 2013 to July 23, 2018

Morgan Stanley Finance LLC

Equity-Linked Partial Principal at Risk Securities due July 28, 2021

Based on the Performance of an Equally Weighted Basket Composed of the S&P 500® Index, the Russell 2000® Index and the EURO STOXX® Select Dividend 30 Index

EURO STOXX® Select Dividend 30 Index	High	Low	Period End
2013			
First Quarter	1,496.11	1,401.05	1,451.15
Second Quarter	1,501.44	1,346.20	1,390.99
Third Quarter	1,570.13	1,371.90	1,554.79
Fourth Quarter	1,656.35	1,547.07	1,638.69
2014			
First Quarter	1,753.94	1,612.68	1,753.94
Second Quarter	1,862.98	1,725.66	1,827.75
Third Quarter	1,842.27	1,688.01	1,769.45
Fourth Quarter	1,828.57	1,591.70	1,767.96
2015			
First Quarter	2,022.66	1,704.30	1,996.71
Second Quarter	2,076.69	1,831.22	1,834.32
Third Quarter	1,974.34	1,694.06	1,747.01
Fourth Quarter	1,938.41	1,731.44	1,848.46
2016			
First Quarter	1,832.79	1,601.85	1,802.47
Second Quarter	1,858.03	1,601.68	1,706.13
Third Quarter	1,836.90	1,644.56	1,808.40
Fourth Quarter	1,994.47	1,801.47	1,993.99
2017			
First Quarter	2,084.12	1,958.10	2,084.12
Second Quarter	2,146.65	2,016.69	2,025.14
Third Quarter	2,135.02	2,031.30	2,135.02
Fourth Quarter	2,190.13	2,100.02	2,100.02
2018			
First Quarter	2,182.31	1,965.04	2,012.22
Second Quarter	2,126.66	1,954.52	1,969.55
Third Quarter (through July 23, 2018)	2,019.17	1,957.48	2,004.62

EURO STOXX® Select Dividend 30 Index

Daily Index Closing Values

January 1, 2013 to July 23, 2018

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Additional Information About the Securities

Please read this information in conjunction with the summary terms on the front cover of this document.

Additional Provisions:

Denominations:	$1,000 and integral multiples thereof
Interest:	None
Call right:	The securities are not callable prior to the maturity date.
Postponement of maturity date:	If the determination date for any basket component is postponed so that it falls less than two business days prior to the scheduled maturity date, the maturity date will be postponed to the second business day following the final determination date as postponed, by which date the basket percent change will have been determined.
Minimum ticketing size:	$1,000 / 1 security
Trustee:	The Bank of New York Mellon
Calculation agent:	MS & Co.
Tax considerations:	In the opinion of our counsel, Davis Polk & Wardwell LLP, the securities should be treated as "contingent payment debt instruments" for U.S. federal income tax purposes, as described in the section of the accompanying product supplement called "United States Federal Taxation—Tax Consequences to U.S. Holders." Under this treatment, if you are a U.S. taxable investor, you generally will be subject to annual income tax based on the "comparable yield" (as defined in the accompanying product supplement) of the securities, even though no interest is payable on the securities. In addition, any gain recognized by U.S. taxable investors on the sale or exchange, or at maturity, of the securities generally will be treated as ordinary income. We have determined that the "comparable yield" for the securities is a rate of 3.4850 % per annum, compounded semi-annually. Based on the comparable yield set forth above, the "projected payment schedule" for a security (assuming an issue price of $1,000) consists of a single projected amount equal to $1,109.4668 due at maturity. You should read the discussion under "United States Federal Taxation" in the accompanying product supplement concerning the U.S. federal income tax consequences of an investment in the securities. The following table states the amount of original issue discount ("OID") (without taking into account any adjustment to reflect the difference, if any, between the actual and the projected amount of the contingent payment on a security) that will be deemed to have accrued with respect to a security for each accrual period (assuming a day count convention of 30 days per month and 360 days per year), based upon the comparable yield set forth above.

ACCRUAL PERIOD	OID DEEMED TO ACCRUE DURING ACCRUAL PERIOD (PER NOTE)	TOTAL OID DEEMED TO HAVE ACCRUED FROM ORIGINAL ISSUE DATE (PER SECURITY) AS OF END OF ACCRUAL PERIOD
Original Issue Date through December 31, 2018	$14.9081	$ 14.9081
January 1, 2019 through June 30, 2019	$17.6848	$ 32.5929
July 1, 2019 through December 31, 2019	$17.9929	$ 50.5858
January 1, 2020 through June 30, 2020	$18.3065	$ 60.5858
July 1, 2020 through December 31, 2020	$18.6254	$ 87.5177
January 1, 2021 through June 30, 2021	$18.9500	$106.4677
July 1, 2021 through the Maturity Date	$ 2.9991	$109.4668

The comparable yield and the projected payment schedule are not provided for any purpose other than the determination of U.S. Holders' accruals of OID and adjustments thereto in respect of the securities for U.S. federal income tax purposes, and we make no representation regarding the actual amount of the payment that will be made on a security.

If you are a non-U.S. investor, please also read the section of the accompanying product supplement called "United States Federal Taxation—Tax Consequences to Non-U.S. Holders."

As discussed in the accompanying product supplement, Section 871(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury regulations promulgated thereunder ("Section 871(m)") generally impose a 30% (or a lower applicable treaty rate) withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (each, an "Underlying Security"). Subject to certain exceptions, Section 871(m) generally applies to securities that substantially replicate the economic performance of one or more Underlying Securities, as determined based on tests set forth

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in the applicable Treasury regulations (a "Specified Security"). However, pursuant to an Internal Revenue Service ("IRS") notice, Section 871(m) will not apply to securities issued before January 1, 2019 that do not have a delta of one with respect to any Underlying Security. Based on our determination that the securities do not have a delta of one with respect to any Underlying Security, our counsel is of the opinion that the securities should not be Specified Securities and, therefore, should not be subject to Section 871(m).

Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. **If withholding is required, we will not be required to pay any additional amounts with respect to the amounts so withheld.** You should consult your tax adviser regarding the potential application of Section 871(m) to the securities.

You should consult your tax adviser regarding all aspects of the U.S. federal income tax consequences of an investment in the securities, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. Moreover, neither this document nor the accompanying product supplement addresses the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Code.

The discussion in the preceding paragraphs under "Tax considerations" and the discussion contained in the section entitled "United States Federal Taxation" in the accompanying product supplement, insofar as they purport to describe provisions of U.S. federal income tax laws or legal conclusions with respect thereto, constitute the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of an investment in the securities.

Use of proceeds and hedging: The proceeds from the sale of the securities will be used by us for general corporate purposes. We will receive, in aggregate, $1,000 per security issued, because, when we enter into hedging transactions in order to meet our obligations under the securities, our hedging counterparty will reimburse the cost of the agent's commissions. The costs of the securities borne by you and described on page 3 above comprise the agent's commissions and the cost of issuing, structuring and hedging the securities.

On or prior to the pricing date, we hedged our anticipated exposure in connection with the securities by entering into hedging transactions with our affiliates and/or third-party dealers. We expect our hedging counterparties to have taken positions in the stocks constituting the underlying indices and in futures and/or options contracts on the underlying indices or the component stocks of the underlying indices listed on major securities markets. Such purchase activity could have increased the initial index values, and, therefore, could have increased the values at or above which the underlying indices must close on the determination date so that investors do not suffer a loss on their initial investment in the securities. In addition, through our affiliates, we are likely to modify our hedge position throughout the term of the securities, including on the determination date, by purchasing and selling the stocks constituting the underlying indices, futures or options contracts on the underlying indices or their component stocks listed on major securities markets or positions in any other available securities or instruments that we may wish to use in connection with such hedging activities. As a result, these entities may be unwinding or adjusting hedge positions during the term of the securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the determination date approaches. We cannot give any assurance that our hedging activities will not affect the values of the underlying indices, and, therefore, adversely affect the value of the securities or the payment you will receive at maturity. For further information on our use of proceeds and hedging, see "Use of Proceeds and Hedging" in the accompanying product supplement.

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

Benefit plan investor considerations: In addition, we and certain of our affiliates, including MS & Co., may each be considered a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (such accounts and plans, together with other plans, accounts and arrangements subject to Section 4975 of the Code, also "Plans"). ERISA Section 406 and Code Section 4975 generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the securities are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the securities are acquired pursuant to an exemption from the "prohibited transaction" rules. A violation of these "prohibited transaction" rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the securities. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than "adequate consideration" in connection with the transaction (the so-called "service provider" exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the securities.

Because we may be considered a party in interest with respect to many Plans, the securities may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the securities will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the securities that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such securities on behalf of or with "plan assets" of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law") or (b) its purchase, holding and disposition of these securities will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the securities on behalf of or with "plan assets" of any Plan consult with their counsel regarding the availability of exemptive relief.

The securities are contractual financial instruments. The financial exposure provided by the securities is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the securities. The securities have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the securities.

Each purchaser or holder of any securities acknowledges and agrees that:

(i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the securities, (B) the purchaser or holder's investment in the securities, or (C) the exercise of or failure to exercise any rights we have under or with respect to the securities;

(ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the securities and (B) all hedging transactions in connection with our obligations under the securities;

(iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv) our interests are adverse to the interests of the purchaser or holder; and

(v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in

	connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.
	Each purchaser and holder of the securities has exclusive responsibility for ensuring that its purchase, holding and disposition of the securities do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any securities to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this document is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of the securities should consult and rely on their own counsel and advisers as to whether an investment in the securities is suitable.
	However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the securities if the account, plan or annuity is for the benefit of an employee of Morgan Stanley, Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the securities by the account, plan or annuity.
Additional considerations:	Client accounts over which Morgan Stanley, Morgan Stanley Wealth Management or any of their respective subsidiaries have investment discretion are not permitted to purchase the securities, either directly or indirectly.
Supplemental information regarding plan of distribution; conflicts of interest:	Selected dealers, which may include our affiliates, and their financial advisors will collectively receive from the agent a fixed sales commission of $15 for each security they sell. MS & Co. is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley, and it and other affiliates of ours expect to make a profit by selling, structuring and, when applicable, hedging the securities. MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA,

	regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See "Plan of Distribution (Conflicts of Interest)" and "Use of Proceeds and Hedging" in the accompanying product supplement.
Validity of the securities:	In the opinion of Davis Polk & Wardwell LLP, as special counsel to MSFL and Morgan Stanley, when the securities offered by this pricing supplement have been executed and issued by MSFL, authenticated by the trustee pursuant to the MSFL Senior Debt Indenture (as defined in the accompanying prospectus) and delivered against payment as contemplated herein, such securities will be valid and binding obligations of MSFL and the related guarantee will be a valid and binding obligation of Morgan Stanley, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), *provided* that such counsel expresses no opinion as to (i) the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above and (ii) any provision of the MSFL Senior Debt Indenture that purports to avoid the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law by limiting the amount of Morgan Stanley's obligation under the related guarantee. This opinion is given as of the date hereof and is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the Delaware Limited Liability Company Act. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the MSFL Senior Debt Indenture and its authentication of the securities and the validity, binding nature and enforceability of the MSFL Senior Debt Indenture with respect to the trustee, all as stated in the letter of such counsel dated November 16, 2017, which is Exhibit 5-a to the Registration Statement on Form S-3 filed by Morgan Stanley on November 16, 2017.
Contact:	Morgan Stanley clients may contact their local Morgan Stanley branch office or Morgan Stanley's principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (866) 477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at (800) 233-1087.
Where you can find more	Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as

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supplemented by the product supplement for Equity-Linked Partial Principal at Risk Securities and the index supplement) with the Securities and Exchange Commission, or SEC, for the offering to which this communication relates. You should read the prospectus in that registration statement, the product supplement for Equity-Linked Partial Principal at Risk Securities, the index supplement and any other documents relating to this offering that Morgan Stanley and MSFL have filed with the SEC for more complete information about Morgan Stanley, MSFL and this offering. You may get these documents without cost by visiting EDGAR on the SEC web site at.www.sec.gov. Alternatively, Morgan Stanley, MSFL, any underwriter or any dealer participating in the offering will arrange to send you the prospectus, the product supplement for Equity-Linked Partial Principal at Risk Securities and the index supplement if you so request by calling toll-free 800-584-6837.

information: You may access these documents on the SEC web site at.www.sec.gov as follows:

Product Supplement for Equity-Linked Partial Principal at Risk Securities dated November 16, 2017

Index Supplement dated November 16, 2017

Prospectus dated November 16, 2017

Terms used but not defined in this document are defined in the product supplement for Equity-Linked Partial Principal at Risk Securities, in the index supplement or in the prospectus.

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Annex A—The EURO STOXX® Select Dividend 30 Index

The EURO STOXX® Select Dividend 30 Index (the "Index") is a price-return index that tracks the performance of the 30 highest-dividend-yielding stocks selected from the EURO STOXX® Index, which is a broad subset of the STOXX Europe 600® that represents large, mid and small capitalization companies of 11 Eurozone countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. Although the Index tracks the performance of high-dividend-yielding companies, it is a price-return index and, therefore, the return on the Index will not include any dividends paid on the securities that make up the Index. The Index is calculated, maintained and published by STOXX Limited.

The Index was created by STOXX Limited, which is owned by Deutsche Börse AG and SIX Group AG. The Index has a base date of December 30, 1998 and a base value of 1,000. The Index is disseminated on the STOXX Limited website, which sets forth, among other things, the country, industrial sector and weight of each component included in the Index and updates these weightings at the end of each quarter. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this document. We have derived all information regarding the Index, including its make-up and method of calculation, from publicly available information, without independent verification.

The Index is composed of the 30 highest-dividend-yielding stocks selected from the EURO STOXX® Index. STOXX first ranks companies from the EURO STOXX® Index based on an outperformance factor equal to the net dividend yield of the company against the net dividend yield of the EURO STOXX® Index in order to form a selection list of up to 60 stocks. A minimum liquidity level is applied for screening purposes. The components are then ranked and all components ranked from 1 to 60 in the selection list remain eligible for inclusion in the Index. The ranking is based on a weight determination described below. If the number of component stocks is ever below 30, the highest-ranked non-components are added until there are 30 stocks. The composition of the Index is reviewed annually in March and is also subject to ongoing maintenance. If STOXX becomes aware of changes relating to the components of the Index, the following index adjustments may occur: if a company cancels one of its dividends, it will be deleted from the Index and a replacement will be implemented two trading days later and become effective on the subsequent trading day; if a company lowers its dividend, it will remain in the Index until the next selection list becomes available.

The weight determination is calculated as follows:

Other than as set forth above, the Index is maintained and calculated using the same general methodology as the EURO STOXX 50® Index. For more information, see "EURO STOXX 50® Index" in the accompanying index supplement.

The securities are not sponsored, endorsed, sold or promoted by STOXX Limited. STOXX Limited makes no representation or warranty, express or implied, to the owners of the securities or any member of the public regarding the advisability of investing in securities generally or in the securities particularly. The EURO STOXX® Select Dividend 30 Index is determined, composed and calculated by STOXX Limited without regard to Morgan Stanley or the securities. STOXX Limited has no obligation to take the needs of Morgan Stanley or the owners of the securities into consideration in determining, composing or calculating the EURO STOXX® Select Dividend 30 Index. STOXX Limited is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the securities to be issued or in the determination or calculation of the equation by which the securities

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are to be converted into cash. STOXX Limited has no obligation or liability in connection with the administration, marketing or trading of the securities.

STOXX LIMITED DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE EURO STOXX® SELECT DIVIDEND 30 INDEX OR ANY DATA INCLUDED THEREIN AND STOXX LIMITED SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. STOXX LIMITED MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY MORGAN STANLEY, OWNERS OF THE SECURITIES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE EURO STOXX® SELECT DIVIDEND 30 INDEX OR ANY DATA INCLUDED THEREIN. STOXX LIMITED MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE EURO STOXX® SELECT DIVIDEND 30 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL STOXX LIMITED HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSSES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF.

“EURO STOXX® Select Dividend 30” and “STOXX®” are registered trademarks of STOXX Limited. The securities are not sponsored, endorsed, sold or promoted by STOXX Limited, and STOXX Limited makes no representation regarding the advisability of investing in the securities.