GIBRALTAR INDUSTRIES, INC.
Form 10-Q
August 09, 2007

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

(Mark one)

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from __________ to __________

Commission file number 0-22462

Gibraltar Industries, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	16-1445150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(Address of principal executive offices)

(716) 826-6500

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ. No o.

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

As of August 6, 2007, the number of common shares outstanding was: 29,949,229.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30 2007 (unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 22,921	$ 13,475
Accounts receivable, net	211,814	169,207
Inventories	254,019	254,991
Other current assets	20,151	18,107
Total current assets	508,905	455,780
Property, plant and equipment, net	261,724	243,138
Goodwill	408,201	374,821
Acquired intangibles	61,150	62,366
Investments in partnerships	2,522	2,440
Other assets	13,932	14,323
	$ 1,256,434	$ 1,152,868
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 100,829	$ 71,308
Accrued expenses	48,606	50,771
Current maturities of long-term debt	2,555	2,336
Total current liabilities	151,990	124,415
Long-term debt	449,689	398,217
Deferred income taxes	71,790	70,981
Other non-current liabilities	13,039	9,027
Shareholders equity:		
Preferred stock, $.01 par value; authorized: 10,000,000 shares; none outstanding		
Common stock, $.01 par value; authorized 50,000,000 shares; issued 29,899,295 and 29,828,317 shares in 2007 and 2006, respectively	299	299
Additional paid-in capital	217,291	215,944
Retained earnings	345,787	332,920
Accumulated other comprehensive income	6,549	1,065

	569,926	550,228
Less: cost of 44,100 and 42,600 common shares held in treasury in 2007 and 2006		
Total shareholders equity	569,926	550,228
	$ 1,256,434	$ 1,152,868

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales	$ 369,820	$ 352,421	$ 687,404	$ 675,058
Cost of sales	304,146	275,156	570,079	534,562
Gross profit	65,674	77,265	117,325	140,496
Selling, general and administrative expense	38,281	38,950	73,491	76,790
Income from operations	27,393	38,315	43,834	63,706
Other (income) expense:				
Equity in partnerships loss (income) and other income	(305)	138	(667)	(548)
Interest expense	8,248	7,101	15,485	13,880
Total other expense	7,943	7,239	14,818	13,332
Income before taxes	19,450	31,076	29,016	50,374
Provision for income taxes	7,524	11,315	10,922	18,880
Income from continuing operations	11,926	19,761	18,094	31,494
Discontinued operations:				
Income from discontinued operations before taxes		5,710		10,013
Income tax expense		2,158		3,797
Income from discontinued operations		3,552		6,216
Net income	$ 11,926	$ 23,313	$ 18,094	$ 37,710
Net income per share Basic:				
Income from continuing operations	$ .40	$ .67	$ .61	$ 1.06
Income from discontinued operations		.12		.21
Net income	$ .40	$ .79	$ .61	$ 1.27

Weighted average shares outstanding	Basic	29,863	29,689	29,850	29,659
Net income per share Diluted:					
Income from continuing operations		.40	.66	.60	1.05
Income from discontinued operations			.12		.21
Net income		$ .40	$ .78	$ .60	$ 1.26
Weighted average shares outstanding	Diluted	30,144	30,012	30,096	29,966

See accompanying notes to condensed consolidated financial statements

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

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash flows from operating activities		
Net income	$ 18,094	$ 37,710
Income from discontinued operations		6,216
Income from continuing operations	18,094	31,494
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,956	14,175
Provision for deferred income taxes	(229)	
Equity in partnerships loss (income) and other income	(576)	174
Distributions from partnerships	493	589
Stock compensation expense	1,254	1,631
Other noncash adjustments	526	610
Increase (decrease) in cash resulting from changes in (net of acquisitions and dispositions):		
Accounts receivable	(30,373)	(49,345)
Inventories	26,724	(37,793)
Other current assets and other assets	1,223	1,353
Accounts payable	24,679	23,698
Accrued expenses and other non-current liabilities	(2,915)	342
Net cash provided by (used in) continuing operations	54,856	(13,072)
Net cash provided by discontinued operations		7,220
Net cash provided by (used in) provided by operating activities	54,856	(5,852)
Cash flows from investing activities		
Acquisitions, net of cash acquired	(84,424)	(13,206)
Purchases of property, plant and equipment	(9,292)	(11,452)
Net proceeds from sale of property and equipment	373	115
Net proceeds from sale of business		151,511
Net cash (used in) provided by investing activities from continuing operations	(93,343)	126,968
Net cash used in investing activities for discontinued operations		(3,189)
Net cash (used in) provided by investing activities	(93,343)	123,779

Cash flows from financing activities		
Long-term debt reduction	(1,654)	(112,960)
Proceeds from long-term debt	52,485	10,000
Payment of deferred financing costs	(8)	(256)
Payment of dividends	(2,983)	(2,974)
Net proceeds from issuance of common stock	93	764
Tax benefit from stock options		115
Net cash provided by (used in) financing activities	47,933	(105,311)
Net increase in cash and cash equivalents	9,446	12,616
Cash and cash equivalents at beginning of year	13,475	28,529
Cash and cash equivalents at end of period	$ 22,921	$ 41,145

See accompanying notes to condensed consolidated financial statements

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

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Certain 2006 amounts have been reclassified to conform with 2007 presentation.

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

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2. SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

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

	Comprehensive Income	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders Equity
Balance at January 1, 2007		29,841	$ 299	$ 215,944	$ 332,920	$ 1,065	43	$	$ 550,228
Cumulative effect of adoption of FIN 48					(750)				(750)
Comprehensive income:									
Net income	$ 18,094				18,094				18,094
Other comprehensive income (loss):									
Foreign currency translation adjustment	5,127								
Amortization of other post retirement health care costs, net of tax of $20	32								
Unrealized gain on interest rate swaps, net of tax of $236	325								
Other comprehensive income	5,484					5,484			5,484
Total comprehensive income	$ 23,578								
Issuance of restricted shares		6							
Equity based compensation expense				1,254					1,254

Stock options exercised	8		93					93
Forfeiture of restricted stock awards						1		
Cash dividends $.15 per share				(4,477)				(4,477)
Balance at June 30, 2007	29,855	$ 299	$ 217,291	$ 345,787	$ 6,549	44	$	$ 569,926

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

	Foreign currency translation adjustment	Minimum pension liability adjustment	Unamortized post retirement health care costs	Unrealized gain/(loss) on interest rate swaps	Accumulated other comprehensive loss
Balance at January 1, 2007	$ 1,977	$ 3	$ (969)	$ 54	$ 1,065
Current period change	5,127		32	325	5,484
Balance at June 30, 2007	$ 7,104	$ 3	$ (937)	$ 379	$ 6,549

Total comprehensive income for the three and six months ended June 30, 2007, was $16,509,000 and $23,578,000, respectively and for the three and six months ended June 30, 2006 was $23,221,000 and $38,427,000, respectively.

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3. INCOME TAXES

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

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

During the three and six months ended June 30, 2007, the Company incurred an additional $25,000 and $50,000 to account for uncertain tax positions. The Company does not anticipate significant increases or decreases in our uncertain tax positions within the next twelve months.

The Company recognizes penalties and interest relating to uncertain tax positions in the provision for income taxes.

4. EQUITY-BASED COMPENSATION

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

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

During the six months ended June 30, 2007 and 2006, the Company issued 6,000 and 6,000 restricted shares, 164,248 and 167,125 restricted stock units, and granted 15,800 and 18,625 non-qualified stock options, respectively.

The fair value of restricted stock units held in the MSPP equals the trailing 200 day average of the closing market price of our common stock as of the last day of the period. As of June 30, 2007, 120,206 restricted stock units were credited to participant accounts. At June 30, 2007, the trailing 200 day average of the closing market price of our common stock was $22.67 per share.

5. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2007	December 31, 2006
Raw material	$ 114,792	$ 122,181
Work-in process	40,257	$ 41,164
Finished goods	98,970	91,646
Total inventories	$ 254,019	$ 254,991

6. NET INCOME PER SHARE

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding, as well as dilutive potential common shares which, in the Company s case, comprise shares issuable under the 2005 Equity Incentive Plan, the stock option and restricted stock plans. The treasury stock method is used to calculate dilutive shares, which reduces the gross number of dilutive shares by the number of shares purchasable from the proceeds and applicable tax benefits of the options assumed to be exercised.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Numerator:				
Income available to common stockholders from continuing operations	$ 11,926,000	$ 19,761,000	$ 18,094,000	$ 31,494,000
Weighted average shares outstanding	29,863,030	29,689,402	29,849,977	29,658,841
Denominator for diluted income per share:				
Weighted average shares outstanding	29,863,030	29,689,402	29,849,977	29,658,841
Common stock options and restricted stock	281,205	323,069	246,248	307,472
Weighted average shares and conversions	30,144,235	30,012,471	30,096,225	29,966,313

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7. ACQUISITIONS

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

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

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

As part of the purchase agreement with the former owners of Home Impressions, the Company is required to pay additional consideration through May 2009 based upon the operating results of Home Impressions. The Company paid $402,000 of such additional consideration during the six months ended June 30, 2007. These payments were recorded as additional goodwill.

On June 30, 2006, the Company acquired certain assets of Steel City Hardware, LLC (Steel City). The assets the Company acquired from Steel City are used to manufacture mailboxes and postal accessories. The acquisition of the assets of Steel City served to vertically integrate Home Impression s major domestic supplier and expanded our manufacturing competency in the storage market. The results of Steel City (included in the Company s Building Products segment) are included in the Company s consolidated financial results from the date of acquisition. The acquisition of Steel City is not considered significant to the Company s consolidated results of operations.

The aggregate consideration was approximately $4,879,000, in cash and acquisition costs. The purchase price has been allocated to the assets acquired based upon respective fair market values. The fair market value of the property, plant and equipment was determined with the assistance of an independent valuation. The excess consideration over fair value was recorded as goodwill and aggregated approximately $2,566,000, which is deductible for tax purposes. The allocation of purchase consideration to the assets and liabilities assumed is as follows (in thousands):

Working capital	$ 1,736
Property, plant and equipment	577
Goodwill	2,566
	$ 4,879

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

The aggregate purchase consideration for the acquisition of EMC was approximately $44,722,000 in cash and acquisition costs. The purchase price was allocated to the assets acquired and liabilities assumed based upon a preliminary valuation of respective fair values. The identifiable intangible assets consisted of a trademark with a value of $4,771,000 (indefinite useful life) and customer relationships with a value of $7,443,000 (7 year estimated useful life). A final valuation is expected to be completed during the third quarter of 2007. The excess consideration over fair value was recorded as goodwill and aggregated approximately $20,819, 000, none of which is deductible for tax purposes. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	$ 5,405
Property, plant and equipment	11,338
Other long term liabilities, net	(5,054)
Intangible assets	12,214
Goodwill	20,819
	$ 44,722

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

The aggregate purchase consideration for the acquisition of Dramex was $22,492,000 in cash and acquisition costs. The purchase price was allocated to the assets acquired and liabilities assumed based upon a preliminary valuation of respective fair values. A final valuation is expected to be completed prior to the end of the Company s fiscal year. The excess consideration over fair value was recorded as goodwill and aggregated approximately $13,570,000, none of which is deductible for tax purposes. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	$ 5,571
Property, plant and equipment	4,652
Other long term liabilities, net	(1,301)
Goodwill	13,570
	$ 22,492

On April 10, 2007 the Company acquired certain assets and liabilities of Noll Manufacturing Company, NorWesCo, and M&N Plastics (Noll). The assets the Company acquired from Noll are used to manufacture, market and distribute products for the building, HVAC, and lawn and garden components of the building products market. The acquisition of Noll will serve to strengthen our manufacturing, marketing and distribution capabilities and is expected to provide manufacturing and distribution synergies with our existing businesses. The results of Noll (included in the Company s Building Products segment) have been included in the Company s consolidated financial results from the date of acquisition. The acquisition of Noll is not considered significant to the Company s consolidated results of operations. The aggregate initial consideration was approximately $61,530,000 in cash and direct acquisition costs. The purchase price has been allocated to the assets acquired and liabilities assumed based upon a preliminary valuation of respective fair values. A final valuation is expected to be completed prior to the end of the Company s fiscal year. The excess consideration over fair value was recorded as goodwill and aggregated approximately $16,600,000, which is deductible for tax purposes. The allocation of the purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	$ 24,399
Property, plant and equipment	20,531
Goodwill	16,600
	$ 61,530

8. DISCONTINUED OPERATIONS

As part of its continuing evaluation of its businesses, the Company determined that its thermal processing and strapping businesses no longer provided a strategic fit with its long-term growth and operational objectives. On June 16, 2006 and June 30, 2006, in separate transactions, the Company sold certain assets and liabilities of both its strapping and thermal processing businesses, respectively. The strapping business was previously included in the processed metals products segment and the thermal processing business previously was reported as a segment.

In accordance with the provisions of Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), the results of operations for the thermal processing business and strapping business have been classified as discontinued operations in the condensed consolidated financial statements for all periods presented.

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The Company allocates interest to its discontinued operations in accordance with the provisions of the Financial Accounting Standards Board s Emerging Issues Task Force item 87-24, *Allocation of Interest to Discontinued Operations*. Interest expense of $1,384,000 and $2,652,000 was allocated to discontinued operations during the three and six months ended June 30, 2006, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales	$	$ 37,913	$	$ 75,631
Expenses		32,203		65,618
Income from discontinued operations before taxes	$	$ 5,710	$	$ 10,013

9. GOODWILL AND RELATED INTANGIBLE ASSETS

Goodwill

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

	Building Products Segment	Processed Metal Products Segment	Total
Balance as of January 1, 2007	$ 358,856	$ 15,965	$ 374,821
Goodwill acquired	30,572		30,572
Additional acquisition costs, net	549		549
Foreign currency translation	2,173	86	2,259
Balance as of June 30, 2007	$ 392,150	$ 16,051	$ 408,201

Intangible Assets

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

	Gross Carrying Amount	Accumulated Amortization	Estimated Life
Trademark / Trade Name	$ 1,993	$ (298)	2 to 15 years
Unpatented Technology	5,135	(1,050)	5 to 20 years
Customer Relationships	26,723	(3,762)	5 to 15 years
Non-Competition Agreements	3,578	(1,619)	5 to 10 years
Balance as of June 30, 2007	$ 37,429	$ (6,729)	

Acquired intangible assets with indefinite useful lives not subject to amortization consist of trademarks and trade names valued at $30,450,000.

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Acquired intangible asset amortization expense for the three and six month periods ended June 30, 2007 and 2006 aggregated approximately $874,000 and $609,000, and $1,815,000 and $1,113,000, respectively.
Amortization expense related to acquired intangible assets for the remainder of fiscal 2007 and the next five years thereafter is as follows (in thousands)

Year Ended December 31,	
2007	$1,820
2008	$3,511
2009	$3,431
2010	$3,363
2011	$3,196
2012	$3,171

10. RELATED PARTY TRANSACTIONS

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

The Company has certain operating lease agreements related to operating locations and facilities with the former owners of Construction Metals or companies controlled by these parties. These operating leases are considered to be related party in nature. Rental expense associated with these related party operating leases aggregated approximately $678,000 and $676,000 for the six months ended June 30, 2007 and 2006, respectively.

Two members of our Board of Directors are partners in law firms that provide legal services to the Company. For the six months ended June 30, 2007 and 2006, the Company incurred $989,000 and $1,070,000, respectively, for legal services from these firms. Of the amount incurred, $714,000 and $822,000, was expensed during the six months ended June 30, 2007 and 2006, respectively. $275,000 and $188,000 were capitalized as acquisition costs and deferred debt issuance costs during the six months ended June 30, 2007 and 2006, respectively.

At June 30, 2007, the Company had $48,000 recorded in accounts payable for these law firms.

11. BORROWINGS UNDER REVOLVING CREDIT FACILITY

The aggregate borrowing limit under the Company s revolving credit facility is $300,000,000. At June 30, 2007, the Company had $151,704,000 of availability under the revolving credit facility.

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12. NET PERIODIC BENEFIT COSTS

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

	Pension Benefit			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	$ 42	$ 40	$ 82	$ 80
Interest cost	39	30	70	61
Net periodic benefit costs	$ 81	$ 70	$ 152	$ 141

	Other Post Retirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	$ 32	$ 26	$ 58	$ 52
Interest cost	60	56	116	112
Amortization of unrecognized prior service cost	(5)	(6)	(10)	(12)
Loss amortization	34	28	62	56
Net periodic benefit costs	$ 121	$ 104	$ 226	$ 208

13. SEGMENT INFORMATION

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales				
Building products	$ 260,224	$ 239,056	$ 467,450	$ 453,800
Processed metal products	109,596	113,365	219,954	221,258
	$ 369,820	$ 352,421	$ 687,404	$ 675,058
Income (loss) from operations				
Building products	$ 31,218	$ 40,519	$ 49,949	$ 71,792
Processed metal products	3,610	7,945	8,037	13,763
Corporate	(7,435)	(10,149)	(14,152)	(21,849)
	$ 27,393	$ 38,315	$ 43,834	$ 63,706
Depreciation and amortization				
Building products	$ 5,972	$ 4,292	$ 10,867	$ 8,504
Processed metal products	1,846	2,302	3,735	4,127
Corporate	677	765	1,354	1,544
	$ 8,495	$ 7,359	$ 15,956	$ 14,175
Capital expenditures (excluding acquisitions)				
Building products	$ 2,428	$ 4,998	$ 6,379	$ 8,454
Processed metal products	1,155	723	2,073	1,654
Corporate	340	428	840	1,344
	$ 3,923	$ 6,149	$ 9,292	$ 11,452

	June 30, 2007 (unaudited)	December 31, 2006
Total identifiable assets		
Building products	$ 930,304	$ 828,797
Processed metal products	276,664	283,546
Corporate	49,466	40,525
	$ 1,256,434	$ 1,152,868

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14. SUPPLEMENTAL FINANCIAL INFORMATION

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

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

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

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 4,579	$ 18,342	$	$ 22,921
Accounts receivable, net		186,696	25,118		211,814
Intercompany balances	330,019	(313,485)	(16,534)		
Inventories		240,065	13,954		254,019
Other current assets		19,305	846		20,151
Total current assets	330,019	137,160	41,726		508,905
Property, plant and equipment, net		239,825	21,899		261,724
Goodwill		363,082	45,119		408,201
Acquired intangibles		47,719	13,431		61,150
Investments in partnerships		2,522			2,522
Other assets	6,142	7,563	227		13,932
Investment in subsidiaries	436,351	93,530		(529,881)	
	772,512	891,401	122,402	(529,881)	1,256,434
Liabilities and Shareholders Equity					
Current liabilities:					
Accounts payable		86,678	14,151		100,829
Accrued expenses	1,637	39,763	7,206		48,606
Current maturities of long-term debt		2,555			2,555
Total current liabilities	1,637	128,996	21,357		151,990
Long-term debt	200,949	247,858	882		449,689
Deferred income taxes		65,578	6,212		71,790
Other non-current liabilities		12,618	421		13,039
Shareholders equity	569,926	436,351	93,530	(529,881)	569,926
	$ 772,512	$ 891,401	$ 122,402	$ (529,881)	$ 1,256,434

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

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 4,982	$ 8,493	$	$ 13,475
Accounts receivable		152,335	16,872		169,207
Intercompany balances	335,496	(313,514)			