GIBRALTAR INDUSTRIES, INC.
Form 10-Q
May 05, 2011

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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 March 31, 2011

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

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

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

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

As of May 2, 2011, the number of common shares outstanding was: 30,406,119.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended March 31	
	2011	2010
Net sales	$ 163,563	$ 146,674
Cost of sales	133,518	120,217
Gross profit	30,045	26,457
Selling, general, and administrative expense	22,823	24,272
Income from operations	7,222	2,185
Interest expense	(4,454)	(6,570)
Equity in partnership s income and other income	23	71
Income (loss) before taxes	2,791	(4,314)
Provision for (benefit of) income taxes	1,350	(1,922)
Income (loss) from continuing operations	1,441	(2,392)
Discontinued operations:		
Income (loss) before taxes	12,946	(30,085)
Provision for (benefit of) income taxes	5,978	(11,246)
Income (loss) from discontinued operations	6,968	(18,839)
Net income (loss)	$ 8,409	$ (21,231)
Net income (loss) per share Basic:		
Income (loss) from continuing operations	$ 0.05	$ (0.08)
Income (loss) from discontinued operations	0.23	(0.62)
Net income (loss)	$ 0.28	$ (0.70)
Weighted average shares outstanding Basic	30,425	30,261
Net income (loss) per share Diluted:		
Income (loss) from continuing operations	$ 0.05	$ (0.08)
Income (loss) from discontinued operations	0.22	(0.62)
Net income (loss)	$ 0.27	$ (0.70)

Weighted average shares outstanding Diluted	30,594	30,261

See accompanying notes to consolidated financial statements.

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

	March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 104,504	$ 60,866
Accounts receivable, net of reserve of $3,626 and $3,504 in 2011 and 2010, respectively	95,308	70,371
Inventories	92,346	77,848
Other current assets	21,307	20,229
Assets of discontinued operations	2,576	13,063
Total current assets	316,041	242,377
Property, plant, and equipment, net	142,634	145,783
Goodwill	299,463	298,346
Acquired intangibles	65,539	66,301
Equity method investment		1,345
Other assets	8,067	16,766
Assets of discontinued operations		39,972
	$ 831,744	$ 810,890
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 71,874	$ 56,775
Accrued expenses	40,623	36,785
Current maturities of long-term debt	408	408
Liabilities of discontinued operations	52	6,150
Total current liabilities	112,957	100,118
Long-term debt	206,874	206,789
Deferred income taxes	38,669	37,119
Other non-current liabilities	19,804	23,221
Liabilities of discontinued operations		2,790
Shareholders equity:		
Preferred stock, $0.01 par value; authorized: 10,000,000 shares; none outstanding		
Common stock, $0.01 par value; authorized 50,000,000 shares; 30,670,993 and 30,516,197 shares issued at March 31, 2011 and December 31, 2010, respectively	307	305
Additional paid-in capital	234,283	231,999

Retained earnings	221,323	212,914
Accumulated other comprehensive income (loss)	562	(2,060)
Cost of 272,697 and 218,894 common shares held in treasury at March 31, 2011 and December 31, 2010, respectively	(3,035)	(2,305)
Total shareholders equity	453,440	440,853
	$ 831,744	$ 810,890

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Cash Flows from Operating Activities		
Net income (loss)	$ 8,409	$ (21,231)
Income (loss) from discontinued operations	6,968	(18,839)
Income (loss) from continuing operations	1,441	(2,392)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,891	6,076
Provision for deferred income taxes		125
Equity in partnership s loss (income)	14	(43)
Stock compensation expense	2,276	1,679
Non-cash charges to interest expense	564	2,407
Other non-cash adjustments	523	(434)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(24,610)	(15,378)
Inventories	(14,054)	(6,757)
Other current assets and other assets	7,686	(1,753)
Accounts payable	15,790	18,362
Accrued expenses and other non-current liabilities	(4,755)	1,531
Net cash (used in) provided by operating activities of continuing operations	(9,234)	3,423
Net cash (used in) provided by operating activities of discontinued operations	(3,086)	15,411
Net cash (used in) provided by operating activities	(12,320)	18,834
Cash Flows from Investing Activities		
Net proceeds from sale of business	58,000	30,100
Net proceeds from sale of property and equipment	463	7
Purchases of property, plant, and equipment	(1,785)	(1,519)
Net cash provided by investing activities of continuing operations	56,678	28,588
Net cash used in investing activities of discontinued operations		(286)
Net cash provided by investing activities	56,678	28,302
Cash Flows from Financing Activities		
Long-term debt payments		(50,000)
Purchase of treasury stock at market prices	(730)	(991)
Payment of deferred financing fees		(48)

Excess tax benefit from stock compensation		106
Net proceeds from issuance of common stock	10	
Net cash used in financing activities	(720)	(50,933)
Net increase (decrease) in cash and cash equivalents	43,638	(3,797)
Cash and cash equivalents at beginning of year	60,866	23,596
Cash and cash equivalents at end of period	$ 104,504	$ 19,799

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
(in thousands)
(unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders Equity
Balance at December 31, 2010	30,516	$ 305	$ 231,999	$ 212,914	$ (2,060)	219	$ (2,305)	$ 440,853
Net income				8,409				8,409
Foreign currency translation adjustment					2,634			2,634
Adjustment to post-retirement health care liability, net of taxes of $12					19			19
Adjustment to retirement benefit liability, net of taxes of $20					(31)			(31)
Stock compensation expense			2,276					2,276
Net settlement of restricted stock units	154	2	(2)			54	(730)	(730)
Stock options exercised	1		10					10
Balance at March 31, 2011	30,671	$ 307	$ 234,283	$ 221,323	$ 562	273	$ (3,035)	$ 453,440

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by Gibraltar Industries, Inc. (the Company) without audit. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the financial position at March 31, 2011 and December 31, 2010, the results of operations and cash flows for the three months ended March 31, 2011 and 2010, and the statement of shareholders equity for the three months ended March 31, 2011 have been included therein in accordance with U.S. Securities and Exchange Commission (SEC) rules and regulations and prepared using the same accounting principles as are used for our annual audited financial statements.

Certain information and footnote disclosures, including significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted in accordance with the prescribed SEC rules. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and footnotes included in the Company s Annual Report for the year ended December 31, 2010 as filed on Form 10-K.

The consolidated balance sheet at December 31, 2010 has been derived from the audited consolidated financial statements at that date, restated for discontinued operations, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The results of operations for the three month period ended March 31, 2011 are not necessarily indicative of the results to be expected for the full year.

2. RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has not issued any Accounting Standards Updates that are applicable to the Company since the Company s Annual Report on Form 10-K was filed for the year ended December 31, 2010.

3. INVENTORIES

Inventories consist of the following (in thousands):

	March 31, 2011	December 31, 2010
Raw material	$ 38,347	$ 31,358
Work-in-process	4,995	4,838
Finished goods	49,004	41,652
Total inventories	$ 92,346	$ 77,848

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4. GOODWILL AND RELATED INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2011 are as follows (in thousands):

Balance as of December 31, 2010	$ 298,346
Foreign currency translation	1,117
Balance as of March 31, 2011	$ 299,463

The goodwill balances as of March 31, 2011 and December 31, 2010 are net of accumulated impairment losses of $125,597,000.

The Company recorded intangible asset impairment charges of $76,964,000 during the year ended December 31, 2010. The Company concluded no new indicators of goodwill impairment existed as of March 31, 2011 and an interim test was not performed. The Company will continue to monitor impairment indicators and financial results in future periods. If cash flows change or if the market value of the Company s stock does not increase, there may be additional impairment charges. Impairment charges could be based on factors such as the Company s stock price, forecasted cash flows, assumptions used, control premiums, or other variables.

Acquired Intangible Assets

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

	March 31, 2011		December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Estimated Life
Trademark	$ 35,638	$	$ 35,403	$	indefinite
Trademark	1,971	803	1,968	760	2 to 15 years
Unpatented Technology	5,557	2,366	5,557	2,239	5 to 20 years
Customer Relationships	42,817	17,904	42,469	16,832	5 to 15 years
Non-Competition Agreements	2,656	2,027	2,656	1,921	5 to 10 years
	$ 88,639	$ 23,100	$ 88,053	$ 21,752	

The Company incurred $1,148,000 and $1,300,000 of acquired intangible asset amortization expense for the three months ended March 31, 2011 and 2010, respectively.

Amortization expense related to acquired intangible assets for the remainder of fiscal 2011 and the next five years thereafter is estimated as follows (in thousands):

2011	$3,435
2012	$4,563
2013	$4,192
2014	$3,243
2015	$3,136
2016	$2,823

5. EQUITY METHOD INVESTMENT

On May 24, 2010, the Company entered into a membership interest purchase agreement to acquire a 10% membership interest in Structural Soft, LLC (Structural Soft) for $1,500,000. Structural Soft is a developer of

software used in the design of residential construction projects. The investment was accounted for using the equity method of accounting, under which the Company s share of the earnings of the investee was recognized in income as earned and distributions are credited against the investment when received. The Company s proportionate share in the net assets of Structural Soft and an equity-method intangible asset aggregated $1,345,000 at December 31, 2010.
The Company sold the membership interest in Structural Soft on March 10, 2011 as a part of the transaction to sell the stock of the United Steel Products business as disclosed in Note 13.

6. NOTES RECEIVABLE

The Company holds three notes receivable from various divestitures and real estate transactions. As of March 31, 2011 and December 31, 2010, the notes receivable aggregated $9,652,000 and $9,659,000, respectively. The current portion of the notes receivable is included in other current assets and the long-term portion of the notes receivable are included in other assets. Each note receivable is evaluated for collectability each reporting period on an individual basis. Collectability is evaluated based primarily on the financial condition of the debtor and whether and to what extent the debtor has complied with the terms of the underlying note agreements. No allowances for credit losses were established for the notes receivable during the three months ended March 31, 2011 and 2010. Interest income is recognized on an accrual basis based upon fixed rates as defined in each note receivable agreement and classified as a reduction to interest expense on the consolidated statement of operations.

7. RELATED PARTY TRANSACTIONS

A member of the Company s Board of Directors, Gerald S. Lippes, is a partner in a law firm that provides legal services to the Company. For the three months ended March 31, 2011 and 2010, the Company incurred expense of $552,000 and $219,000, respectively, for legal services from this firm. Of the amounts incurred during the three months ended March 31, 2011 and 2010, $170,000 and $154,000, respectively, related to the sale of businesses and were recognized as a component of discontinued operations. All other amounts incurred during the 2011 and 2010 periods were expensed as a component of selling, general, and administrative expenses. At March 31, 2011 and December 31, 2010, the Company had $576,000 and $266,000, respectively, recorded in accounts payable for amounts due to this law firm.
A member of the Company s Board of Directors, Robert E. Sadler, Jr., is a member of the Board of Directors of M&T Bank Corporation, one of the eleven participating lenders which have committed capital under the Company s Third Amended and Restated Credit Agreement dated July 24, 2009 (the Senior Credit Agreement). As of March 31, 2011 and December 31, 2010, the Senior Credit Agreement provided the Company with a revolving credit facility with availability up to $200 million. See Note 8 to the consolidated financial statements for the amounts outstanding on the revolving credit facility as of March 31, 2011 and December 31, 2010.

8. LONG-TERM DEBT

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

	March 31, 2011	December 31, 2010
Senior Subordinated 8% Notes recorded net of unamortized discount of $1,942 and $2,027 at March 31, 2011 and December 31, 2010, respectively	$ 202,058	$ 201,973
Other debt	5,224	5,224
Total debt	207,282	207,197
Less current maturities	408	408
Total long-term debt	$ 206,874	$ 206,789

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Standby letters of credit of $14,099,000 have been issued under the Senior Credit Agreement to third parties on behalf of the Company as of March 31, 2011. These letters of credit reduce the amount otherwise available under the revolving credit facility. As of March 31, 2011, the Company had $103,519,000 of availability under the revolving credit facility.

The Company had no amounts outstanding under the revolving credit facility as of March 31, 2011 and December 31, 2010. Borrowings under the Senior Credit Agreement are secured by the trade receivables, inventory, personal property and equipment, and certain real property of the Company s significant domestic subsidiaries. The Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount that do not exceed the lesser of (i) $200 million or (ii) a borrowing base determined by reference to the trade receivables, inventories, and property, plant, and equipment of the Company s significant domestic subsidiaries. The revolving credit facility is committed through August 30, 2012.

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

On a trailing four-quarter basis, the Senior Credit Agreement includes a single financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio of 1.25 to 1.00 at the end of each quarter. As of March 31, 2011, the Company was in compliance with this financial covenant. The Senior Credit Agreement contains other provisions and events of default that are customary for similar agreements and may limit the Company s ability to take various actions. The Company s significant domestic subsidiaries have guaranteed the obligations under the Senior Credit Agreement.

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

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to certain risks relating to its ongoing business operations. From time to time, the Company may use derivative instruments to manage interest rate risk. Interest rate swaps have been entered into in prior periods to manage interest rate risk associated with the Company s variable-rate borrowings. The Company had an interest rate swap outstanding with a notional amount of $57,500,000, which expired on December 22, 2010. The Company designated this interest rate swap as a cash flow hedge at inception.

On February 1, 2010, the Company sold the majority of the assets of the Processed Metal Products business as disclosed in Note 13 of the consolidated financial statements. The Company used the proceeds from the sale together with cash generated from operations to repay all remaining variable-rate debt during the three months ended March 31, 2010. Accordingly, all losses previously deferred in accumulated other comprehensive loss related to the interest rate swap were reclassified to interest expense during the three months ended March 31, 2010. Changes in the fair value of the swap continued to be recorded in earnings until the swap expired.

As noted above, all losses reported as a component of accumulated other comprehensive loss related to the interest rate swap were reclassified into earnings as interest expense during the three months ended March 31, 2010. Additionally, changes in the fair value of the interest rate swap were recorded in current earnings as interest expense or income during the three months ended March 31, 2010.

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The following table summarizes the gains and losses recorded in interest expense and other comprehensive income as a result of the interest rate swap for the three months ended March 31 (in thousands):

	2011	2010
Adjustments to interest expense:		
Loss reclassified from accumulated other comprehensive income	$	$ 1,899
Loss from changes in the fair value of the ineffective portion of the interest rate swap		134
Total loss included in interest expense	$	$ 2,033
Adjustments to other comprehensive income:		
Realized loss reclassified to interest expense, net of taxes	$	$ 302
Unrealized loss reclassified to interest expense, net of taxes		904
Gain included in other comprehensive income	$	$ 1,206

10. EMPLOYEE RETIREMENT AND OTHER POST-RETIREMENT BENEFIT PLANS

The following tables present the components of net periodic pension and other post-retirement benefit costs charged to expense for the three months ended March 31 (in thousands):

	Pension Benefit	
	2011	2010
Service cost	$ 11	$ 20
Interest cost	35	43
Amortization of unrecognized prior service cost	4	27
Gain amortization	(55)	
Net periodic benefit costs	$ (5)	$ 90

	Other Post-Retirement Benefits	
	2011	2010
Service cost	$ 3	$ 16
Interest cost	70	68
Amortization of unrecognized prior service cost		(2)
Loss amortization	31	14
Net periodic benefit costs	$ 104	$ 96

11. EQUITY-BASED COMPENSATION

Equity-based payments to employees and directors, including grants of stock options, restricted stock units, and restricted stock, are recognized in the statements of operations based on the grant date fair value of the award. The Company uses the straight-line method of attributing the value of stock-based compensation expense over the vesting periods. Stock compensation expense recognized during the period is based on the value of the portion of equity-based awards that is ultimately expected to vest during the period. Vesting requirements vary for directors, executives, and key employees with a range that typically equals three to four years.

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The Gibraltar Industries, Inc. 2005 Equity Incentive Plan (the Plan) is an incentive compensation plan that allows the Company to grant equity-based incentive compensation awards to eligible participants to provide them an additional incentive to promote the business of the Company, to increase their proprietary interest in the success of the Company, and to encourage them to remain in the Company s employ. Awards under the plan may be in the form of options, restricted shares, restricted units, performance shares, performance stock units, and rights. The Plan provides for the issuance of up to 3,000,000 shares of common stock. Of the total number of shares of common stock issuable under the Plan, the aggregate number of shares which may be issued in connection with grants of incentive stock options and rights cannot exceed 900,000 shares. Vesting terms and award life are governed by the award document.
The following table provides the number of restricted stock units (that will convert to shares upon vesting) that were issued during the three months ended March 31 along with the weighted average grant date fair value of each award:

	2011		2010	
Awards	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Restricted Stock Units	163,834	$13.95	169,867	$16.80

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

In September 2009, the Company awarded 905,000 performance stock units. As of March 31, 2011, 868,000 of the originally awarded performance stock units remain outstanding after forfeitures and re-issuances. The final number of performance stock units earned will be determined based on the Company s total stockholder returns relative to a peer group for three separate performance periods, consisting of the years ending December 31, 2009, 2010, and 2011. The performance stock units earned will be converted to cash based on the trailing 90-day closing price of the Company s common stock as of the last day of the third performance period and will be paid in January 2012. During the first two performance periods consisting of the years ended December 31, 2010 and 2009, participants earned 0% and 34% of target respectively, aggregating 100,300 performance stock units compared to the target of 589,834 awards.

The cost of the performance stock awards will be accrued over the vesting period which ends December 31, 2011. As of March 31, 2011 and December 31, 2010, the value of the performance stock units accrued was based on a weighted average fair value of $4.65 and $7.92 per unit awarded, respectively. The fair value per unit awarded was estimated using the actual performance stock units earned during the first two performance periods ended December 31, 2010 and 2009, an estimate of the number of units expected to be earned during the remaining performance period ending December 31, 2011, and the estimated trailing 90-day closing price of the Company s stock as of December 31, 2011 discounted to present value. The following table summarizes the compensation expense recognized from the change in fair value and vesting of performance stock units awarded for the three months ended March 31 (in thousands):

	2011	2010
Three months ended March 31	$(1,166)	$360

The Management Stock Purchase Plan (MSPP) is an integral component of the Plan and provides participants the ability to defer a portion of their salary, their annual bonus under the Management Incentive Compensation Plan, and Directors fees. The deferral is converted to restricted stock units and credited to an account together with a company-match in restricted stock units equal to a percentage of the deferral amount. The account is converted to cash at the trailing 200-day average closing price of the Company s stock and payable to the participants upon a termination of their service to the Company. The matching portion vests only if the participant has reached their sixtieth (60^{th}) birthday. If a participant terminates their service to the Company prior to age sixty (60), the match is forfeited. Upon termination, the account is converted to a cash account that accrues interest at 2% over the then current ten-year U.S. Treasury note rate. The account is then paid out in five equal annual cash installments.

The fair value of restricted stock units held in the MSPP equals the trailing 200-day closing price of the Company s common stock as of the last day of the period. During the three months ended March 31, 2011 and 2010, 153,144 and 143,181 restricted stock units, respectively, including the company-match, were credited to participant accounts. At March 31, 2011 and December 31, 2010, the value of the restricted stock units in the MSPP was $10.44 and $11.03 per unit, respectively. At March 31, 2011 and December 31, 2010, 522,105 and 457,343 restricted stock units, including the company-match, were credited to participant accounts including 64,157 and 84,635, respectively, of unvested restricted stock units.

12. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, sets out a framework for measuring fair value, and requires certain disclosures about fair value measurements. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Fair value is defined based upon an exit price model.

Topic 820 establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

As disclosed in Note 9, an interest rate swap expired in 2010 and the Company does not hold any derivatives as of March 31, 2011. The Company does not have any other material assets or liabilities carried at fair value and measured on a recurring basis as of March 31, 2011.

The Company s financial instruments primarily consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and long-term debt. The carrying values for our financial instruments approximate fair value with the exception, at times, of long-term debt. At March 31, 2011, the fair value of outstanding debt was $214,324,000 compared to its carrying value of $207,282,000. The fair value of the Company s Senior Subordinated 8% Notes was estimated based on quoted market prices.

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13. DISCONTINUED OPERATIONS

On March 10, 2011, the Company sold the stock of the United Steel Products business (USP) for cash proceeds of $58,000,000. The divestiture of USP allowed the Company to allocate capital resources to businesses with strong market leadership positions and growth potential. The Company recognized a pre-tax gain of $12,993,000 from the transaction.

On February 1, 2010, the Company sold the majority of the assets of the Processed Metal Products business. The assets were sold for $29,164,000, net of a working capital adjustment of $936,000. This transaction finalized the Company s exit from the steel processing business and established the Company solely as a manufacturer and distributor of products for building markets. The Company incurred an after-tax loss of $19,317,000 from the transaction, net of a $11,320,000 tax benefit during the three months ended March 31, 2010. The Company did not sell certain real estate held by the Processed Metal Products business and the receivables generated from the operation of the business prior to its sale. Subsequent to February 1, 2010, the Company collected these receivables net of uncollectible amounts. As of March 31, 2011 and December 31, 2010, the remaining property, plant, and equipment were classified as assets of discontinued operations on the consolidated balance sheet. These assets were held for sale as of March 31, 2011 and December 31, 2010 and are reflected at the lesser of their carrying values or fair values less cost to sell.

The results of operations for USP and the Processed Metal Products business have been classified as discontinued operations in the consolidated financial statements for all periods presented.

The Company allocates interest to its discontinued operations in accordance with FASB ASC Subtopic 205-20, Presentation of Financial Statements Discontinued Operations .

Components of the loss from discontinued operations, including the interest allocated to discontinued operations, for the three months ended March 31 are as follows (in thousands):

	2011	2010
Net sales	$ 9,057	$ 27,429
Operating expenses	(8,842)	(26,181)
Gain (loss) on sale of business	12,993	(30,637)
Interest expense allocation	(262)	(696)
Income (loss) from discontinued operations before taxes	$ 12,946	$ (30,085)

14. EXIT ACTIVITY COSTS AND ASSET IMPAIRMENTS

The Company has focused on being the low-cost provider of its products by reducing operating costs and implementing lean manufacturing initiatives, which have in part led to the consolidation of its facilities and production lines. The Company consolidated two facilities in the three months ended March 31, 2011 and six facilities during 2010 in this effort. During this process, the Company has incurred exit activity costs, including contract termination costs, severance costs, and other moving and closing costs. During 2011, the Company continued to incur exit activity costs for the facilities consolidated in previous years and some other ongoing restructuring activities. Ongoing restructuring activities in 2011 resulted in $196,000 of asset impairment charges related to the sales of a facility that was previously closed. As of March 31, 2011, the Company has not identified any other specific facilities to close or consolidate and, therefore, does not expect to incur any other material exit activity costs for future restructuring activities. However, if future opportunities for cost savings are identified, other facility consolidations and closings will be considered.

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The following table provides a summary of where the exit activity costs and asset impairments were recorded in the statement of operations for the three months ended March 31 (in thousands):

	2011	2010
Cost of sales	$ 858	$ 47
Selling, general, and administrative expense	10	
Total exit activity costs and asset impairments	$ 868	$ 47

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

	2011	2010
Accrued costs as of January 1	$ 2,069	$ 1,781
Exit activity costs recognized	672	47
Cash payments	(593)	(292)
Accrued costs as of March 31	$ 2,148	$ 1,536

15. INCOME TAXES

The following table summarizes the provision for (benefit of) income taxes for continuing operations for the three months ended March 31 and the applicable effective tax rates (in thousands):

	2011	2010
Provision for (benefit of) income taxes	$1,350	$(1,922)
Effective tax rate	48.4%	44.6%

The Company s provision for (benefit of) income taxes in interim periods is computed by applying forecasted annual effective tax rates to income or loss before income taxes for the interim period. In addition, non-recurring or discrete items, including interest on prior year tax liabilities, are recorded during the period in which they occur. To the extent that actual income or loss before taxes for the full year differs from the forecast estimates applied at the end of the most recent interim period, the actual tax rate recognized for the year ending December 31, 2011 could be materially different from the forecasted rate used for the three months ended March 31, 2011.

The provision of income taxes resulted in an effective tax rate of 48.4%, which exceeded the U.S. federal statutory tax rate of 35% for the three months ended March 31, 2011 due to the recognition of a non-deductible permanent item consisting of the $885,000 charge related to surrendered equity compensation described in Note 11. As this was a permanent difference, no tax benefit was recognized to offset the charge. The effective tax rate for the three months ended March 31, 2011 was also higher than the federal statutory tax rate as a result of state taxes and the impact of non-deductible permanent differences.

The provision for income taxes for continuing operations for the three months ended March 31, 2010 resulted in an effective tax rate of 44.6%. This tax rate was greater than the U.S. federal statutory tax rate of 35% due to the impact of state taxes, the net benefit of discrete items, and the impact of non-deductible permanent items.

16. NET INCOME (LOSS) PER SHARE

Basic income (loss) per share is based on the weighted average number of common shares outstanding. Diluted income (loss) per share is based on the weighted average number of common shares outstanding, as well as dilutive potential common shares which, in the Company s case, comprise shares issuable under its equity compensation plans described in Note 11 of the consolidated financial statements. The treasury stock method is used to calculate dilutive shares, which reduces the gross number of dilutive shares by the number of shares purchasable from the proceeds of the options assumed to be exercised and the unrecognized expense related to the restricted stock and restricted stock unit awards assumed to have vested.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31 (in thousands):

	2011	2010
Numerator:		
Income (loss) from continuing operations	$ 1,441	$ (2,392)
Income (loss) from discontinued operations	6,968	(18,839)
Income (loss) available to common stockholders	$ 8,409	$ (21,231)
Denominator for basic income (loss) per share:		
Weighted average shares outstanding	30,425	30,261
Denominator for diluted income (loss) per share:		
Weighted average shares outstanding	30,425	30,261
Common stock options and restricted stock	169	
Weighted average shares and conversions	30,594	30,261

For the three months ended March 31, 2010, all stock options, unvested restricted stock, and unvested restricted stock units were anti-dilutive and, therefore, not included in the dilutive loss per share calculation. The number of weighted average stock options, unvested restricted stock, and unvested restricted stock units that were not included in the dilutive loss per share calculation because the effect would have been anti-dilutive was 163,000 shares for the three months ended March 31, 2010.

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17. COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) consists of the following for the three months ended March 31 (in thousands):

	2011	2010
Net income (loss)	$ 8,409	$ (21,231)
Other comprehensive income (loss):		
Foreign currency translation adjustment	2,634	(1,768)
Adjustment to post-retirement health care liability, net of tax	19	8
Adjustment to retirement benefit liability, net of tax	(31)	
Reclassification of unrealized loss on interest rate swap, net of tax		1,206
Other comprehensive income (loss)	2,622	(554)
Total comprehensive income (loss)	$ 11,031	$ (21,785)

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

	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Unamortized Post Retirement Health Care Costs	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2010	$ (1,214)	$ 258	$ (1,104)	$ (2,060)
Current period change	2,634	(31)	19	2,622
Balance at March 31, 2011	$ 1,420	$ 227	$ (1,085)	$ 562

18. SUBSEQUENT EVENT

On April 1, 2011, the Company acquired all of the outstanding stock of The D.S. Brown Company (D.S. Brown) for $96,000,000, subject to a working capital adjustment. D.S. Brown is the largest U.S. manufacturer of components for the bridge and highway transportation infrastructure industry including expansion joint systems, bearing assemblies, pavement sealing systems, and other specialty components. The Company incurred certain acquisition-related costs, primarily composed of legal and consulting fees, of $390,000 for the three months ended March 31, 2011. All acquisition-related costs were recognized as a component of selling, general, and administrative expenses on the statement of operations. The acquisition of D.S. Brown was financed through cash on hand and debt available under the Company s revolving credit facility.

Supplemental pro forma financial information is not included as the Company has not completed the consolidation and purchase accounting related to the acquisition of D.S. Brown. This information will be provided in the consolidated financial statements for the three months ending June 30, 2011. The results of operation of D.S. Brown will be included in the Company s consolidated financial statements from the date of acquisition.

19. SUPPLEMENTAL FINANCIAL INFORMATION

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

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

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2011
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$	$ 142,272	$ 27,725	$ (6,434)	$ 163,563
Cost of sales		115,219	24,115	(5,816)	133,518
Gross profit		27,053	3,610	(618)	30,045
Selling, general, and administrative expense	(130)	20,778	2,175		22,823
Income from operations	130	6,275	1,435	(618)	7,222
Interest (expense) income	(4,345)	(111)	2		(4,454)
Equity in partnership s income and other income		16	7		23
(Loss) income before taxes	(4,215)	6,180	1,444	(618)	2,791
(Benefit of) provision for income taxes	(1,644)	2,433	561		1,350
(Loss) income from continuing operations	(2,571)	3,747	883	(618)	1,441
Discontinued operations:					
Income from discontinued operations before taxes		12,727	219		12,946
Provision for income taxes		5,877	101		5,978
Income from discontinued operations		6,850	118		6,968
Equity in earnings from subsidiaries	11,598	1,001		(12,599)	
Net income	$ 9,027	$ 11,598	$ 1,001	$ (13,217)	$ 8,409

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2010
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$	$ 127,998	$ 23,144	$ (4,468)	$ 146,674
Cost of sales		104,659	19,757	(4,199)	120,217
Gross profit		23,339	3,387	(269)	26,457
Selling, general, and administrative expense	228	21,934	2,110		24,272
(Loss) income from operations	(228)	1,405	1,277	(269)	2,185
Interest (expense) income	(4,339)	(2,239)	8		(6,570)
Equity in partnership s income and other income		69	2		71
(Loss) income before taxes	(4,567)	(765)	1,287	(269)	(4,314)
(Benefit of) provision for income taxes	(1,781)	(556)	415		(1,922)
(Loss) income from continuing operations	(2,786)	(209)	872	(269)	(2,392)
Discontinued operations:					
(Loss) income from discontinued operations before taxes		(30,370)	285		(30,085)
(Benefit of) provision for income taxes		(11,330)	84		(11,246)
(Loss) income from discontinued operations		(19,040)	201		(18,839)
Equity in earnings from subsidiaries	(18,176)	1,073		17,103	
Net (loss) income	$ (20,962)	$ (18,176)	$ 1,073	$ 16,834	$ (21,231)

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING BALANCE SHEETS
MARCH 31, 2011
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 85,883	$ 18,621	$	$ 104,504
Accounts receivable, net		77,597	17,711		95,308
Intercompany balances	18,457	7,159	(25,616)		
Inventories		83,835	8,511		92,346
Other current assets	1,644	18,716	947		21,307
Assets of discontinued operations		2,576			2,576
Total current assets	20,101	275,766	20,174		316,041
Property, plant, and equipment, net		129,191	13,443		142,634
Goodwill		270,245	29,218		299,463
Acquired intangibles		54,988	10,551		65,539
Other assets	3,432	4,634	1		8,067
Investment in subsidiaries	637,405	53,835		(691,240)	
	$ 660,938	$ 788,659	$ 73,387	$ (691,240)	$ 831,744
Liabilities and Shareholders Equity					
Current liabilities:					
Accounts payable	$	$ 60,717	$ 11,157	$	$ 71,874
Accrued expenses	5,440	31,932	3,251		40,623
Current maturities of long-term debt		408			408
Liabilities of discontinued operations		52			52
Total current liabilities	5,440	93,109	14,408		112,957
Long-term debt	202,058	4,816			206,874
Deferred income taxes		34,048	4,621		38,669
Other non-current liabilities		19,281	523		19,804
Shareholders equity	453,440	637,405	53,835	(691,240)	453,440
	$ 660,938	$ 788,659	$ 73,387	$ (691,240)	$ 831,744

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GIBRALTAR INDUSTRIES, INC.
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2010
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 46,349	$ 14,517	$	$ 60,866
Accounts receivable, net		57,268	13,103		70,371
Intercompany balances	17,194	5,657	(22,851)		
Inventories		71,355	6,493		77,848
Other current assets	6,592	12,750	887		20,229
Assets of discontinued operations		10,501	2,562		13,063
Total current assets	23,786	203,880	14,711		242,377
Property, plant, and equipment, net		132,355	13,428		145,783
Goodwill		270,245	28,101		298,346
Acquired intangibles		55,827	10,474		66,301
Equity method investment		1,345			1,345
Other assets	3,613	13,152	1		16,766
Assets of discontinued operations		34,503	5,469		39,972
Investment in subsidiaries	616,787	55,172		(671,959)	
	$ 644,186	$ 766,479	$ 72,184	$ (671,959)	$ 810,890
Liabilities and Shareholders Equity					
Current liabilities:					
Accounts payable	$	$ 48,739	$ 8,036	$	$ 56,775
Accrued expenses	1,360	33,053	2,372		36,785
Current maturities of long-term debt		408			408
Liabilities of discontinued operations		4,576	1,574		6,150
Total current liabilities	1,360	86,776	11,982		100,118
Long-term debt	201,973	4,816			206,789
Deferred income taxes		35,176	1,943		37,119
Other non-current liabilities		22,763	458		23,221
Liabilities of discontinued operations		161	2,629		2,790
Shareholders equity	440,853	616,787	55,172	(671,959)	440,853

$ 644,186	$ 766,479	$ 72,184	$ (671,959)	$ 810,890

GIBRALTAR INDUSTRIES, INC.
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2011
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities					
Net cash provided by (used in) operating activities of continuing operations	$ 130	$ (11,860)	$ 2,496	$	$ (9,234)
Net cash (used in) provided by operating activities of discontinued operations		(3,134)	48		(3,086)
Net cash provided by (used in) operating activities	130	(14,994)	2,544		(12,320)
Cash Flows from Investing Activities					
Net proceeds from sale of business		58,000			58,000
Net proceeds from sale of property and equipment		463			463
Purchases of property, plant, and equipment		(1,654)	(131)		(1,785)
Net cash provided by (used in) investing activities		56,809	(131)		56,678
Cash Flows from Financing Activities					
Intercompany financing	590	(2,281)	1,691		
Purchase of treasury stock at market prices	(730)				(730)
Net proceeds from issuance of common stock	10				10
Net cash (used in) provided by financing activities	(130)	(2,281)	1,691		(720)

Net increase in cash and cash equivalents		39,534	4,104		43,638
Cash and cash equivalents at beginning of year		46,349	14,517		60,866
Cash and cash equivalents at end of period	$	$ 85,883	$ 18,621	$	$ 104,504

GIBRALTAR INDUSTRIES, INC.
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010
(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities					
Net cash (used in) provided by operating activities of continuing operations	$ (122)	$ 3,470	$ 75	$	$ 3,423
Net cash provided by (used in) operating activities of discontinued operations		16,359	(948)		15,411
Net cash (used in) provided by operating activities	(122)	19,829	(873)		18,834
Cash Flows from Investing Activities					
Net proceeds from sale of business		30,100			30,100
Net proceeds from sale of property and equipment		7			7
Purchases of property, plant, and equipment		(1,370)	(149)		(1,519)
Net cash provided by (used in) investing activities of continuing operations		28,737	(149)		28,588
Net cash used in investing activities of discontinued operations		(286)			(286)
Net cash provided by (used in) investing activities		28,451	(149)		28,302
Cash Flows from Financing Activities					
Long-term debt reduction		(50,000)			(50,000)
Intercompany financing	1,113	(1,115)	2		
Purchase of treasury stock at market prices	(991)				(991)

Payment of deferred financing fees		(48)			(48)
Excess tax benefit from stock compensation		106			106
Net cash provided by (used in) financing activities	122	(51,057)	2		(50,933)
Net decrease in cash and cash equivalents		(2,777)	(1,020)		(3,797)
Cash and cash equivalents at beginning of year		10,105	13,491		23,596
Cash and cash equivalents at end of period	$	$ 7,328	$ 12,471	$	$ 19,799

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

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

Overview

Gibraltar is a leading manufacturer and distributor of products for building and industrial markets. Our products provide structural and architectural enhancements for residential homes, low-rise retail, other commercial and professional buildings, and a wide-variety of other structures. These products include ventilation products, mail storage solutions including mailboxes and package delivery products, rain dispersion products and accessories, bar grating, expanded metal, and metal lath. We serve customers throughout North America and Europe including major home improvement retailers and distributors. As of March 31, 2011, we operated 35 facilities in 18 states, Canada, England, and Germany, giving us a broad platform for just-in-time delivery and support to our customers.

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

On March 10, 2011, Gibraltar announced it entered into an agreement to acquire The D.S. Brown Company (D.S. Brown) and the sale of its United Steel Products (USP) subsidiary. D.S. Brown is the largest U.S. manufacturer of specialty components for the transportation infrastructure industry and has established a leading market position. Products manufactured and distributed by D.S. Brown include expansion joint systems, structural bearing assemblies, pavement sealing systems, and other specialty components for bridges, highways, and other infrastructure projects. The acquisition of D.S. Brown was completed on April 1, 2011 for $96 million and Gibraltar s results from operations will include D.S. Brown from the date of acquisition. The acquisition was financed through cash on hand and debt available under our revolving credit facility.

The sale of USP for $58 million along with the acquisition of D.S. Brown provide Gibraltar with a more diverse exposure to construction markets, stronger revenue and profitability profile, and enhanced growth prospects. These transactions are consistent with management s strategy to position Gibraltar as a market leader in the product areas offered by our business and to expand our offering of value-added products.

The divestiture of USP is properly classified as a discontinued operation in the Company s consolidated financial statements and notes thereto. See Note 13 of the Company s consolidated financial statements for more information regarding the divestiture of USP in Item 1 of this Quarterly Report on Form 10-Q.

To respond to current economic conditions facing Gibraltar, including weakened end market conditions and volatile commodity costs, we continued to position the Company as a low-cost provider of our products. Our focus has been on achieving operational excellence through lean initiatives and the consolidation of facilities. These efforts have resulted in the closing or consolidation of 14 facilities since January 2009, including two during the first quarter of 2011. We have also aggressively reduced operating costs throughout the Company to maximize cash flows generated from operating activities. As a result, we believe our break-even point has decreased significantly since 2008.

Our net sales improved during the quarter ended March 31, 2011 compared to the prior year as a result of improved volume and increased prices. Sales volume increased from the prior year by means of improving macroeconomic conditions in the repair and remodel industry and industrial market which offset the uneven recovery in new build housing. Our selling prices increased from the prior year as a result of rising commodity costs for steel, aluminum, and resins which impact the selling prices offered to our customers. The increased net sales and our cost reduction efforts led to increased profitability during the first quarter of 2011 as compared to the prior year as evidenced by an increase in our operating margin from 1.5% in the first quarter of 2010 to 4.4% in 2011.

Results of Operations

Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010

The following table sets forth selected results of operations data and its percentage of net sales for the three months ended March 31 (in thousands):

	2011		2010	
Net sales	$ 163,563	100.0%	$ 146,674	100.0%
Cost of sales	133,518	81.6	120,217	82.0
Gross profit	30,045	18.4	26,457	18.0
Selling, general, and administrative expense	22,823	14.0	24,272	16.5
Income from operations	7,222	4.4	2,185	1.5
Interest expense	(4,454)	(2.7)	(6,570)	(4.4)
Equity in partnership s income(1)	23	0.0	71	0.0
Income (loss) before taxes	2,791	1.7	(4,314)	(2.9)
Provision for (benefit of) income taxes	1,350	0.8	(1,922)	(1.3)
Income (loss) from continuing operations	1,441	0.9	(2,392)	(1.6)
Discontinued operations, net of taxes (2)	6,968	4.2	(18,839)	(12.9)
Net income (loss)	$ 8,409	5.1%	$ (21,231)	(14.5)%

(1) Equity in partnership s income represents our proportional interest in the income of our investment in a software company and our steel pickling joint venture which were sold in March 2011 and February 2010, respectively, as well as other income.

(2) Discontinued operations represent the income (loss), net of income taxes, attributable to our USP and Processed Metal Products businesses which we sold in March 2011 and February 2010, respectively.

Net sales increased by $16.9 million, or 11.5%, to $163.6 million for the three months ended March 31, 2011 from net sales of $146.7 million for the three months ended March 31, 2010. The increase in net sales from the prior year was the result of a 5.8% increase in volume and a 5.7% increase in pricing offered to customers. Sales volume increased from the prior year by means of improving macroeconomic conditions in the repair and remodel industry and industrial markets which offset the uneven recovery in new build housing. Our selling prices increased from the prior year as a result of rising commodity costs for steel, aluminum, and resins which impact the selling prices offered to our customers.

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Our gross margin remained relatively flat at 18.4% for the three months ended March 31, 2011 compared to 18.0% for the three months ended March 31, 2010. The slight improvement in gross margin was attained despite a $0.8 million increase in restructuring charges incurred during the first quarter of 2011 compared to the three months ended March 31, 2010. The restructuring charges were incurred during the three months ended March 31, 2011 primarily in response to our efforts to consolidate two manufacturing facilities in Europe into existing operations, which led to a 50 basis point decrease in our gross margin during the first quarter of 2011.

Excluding the effects of restructuring charges describe above, we were able to improve our gross margin from our cost reduction and facility consolidation efforts. These efforts led to a reduction of $0.7 million in fixed costs including depreciation and lease expense. In addition, our gross margins improved during the three months ended March 31, 2011 compared to the prior year from a reduction in direct and indirect labor costs incurred to manufacture our products.

Selling, general, and administrative expenses decreased by $1.5 million, or 6.2%, to $22.8 million for the three months ended March 31, 2011 from $24.3 million for the three months ended March 31, 2010. The $1.5 million decrease was primarily the result of a $1.5 million decrease in performance-based variable compensation recognized during the first quarter of 2011 compared to the prior year along with the impact of our cost reduction efforts. These cost reductions were partially offset by a $0.9 million charge recognized as a result of time-based equity awards surrendered by Gibraltar s Chief Executive Officer and $0.4 million of transaction costs related to the D.S. Brown acquisition.

Interest expense decreased $2.1 million to $4.5 million for the three months ended March 31, 2011 from $6.6 million for the three months ended March 31, 2010. We repaid $50 million of debt, which composed all of our variable-rate debt, in the first quarter of 2010. Therefore, we incurred less interest expense during first quarter of 2011 compared with the prior year due to having less debt outstanding during the period. Additionally, we recognized $1.4 million of additional interest expense during the first quarter of 2010 to recognize unamortized losses related to an interest rate swap as a result of repaying all variable-rate debt outstanding.

We recognized a provision for income taxes of $1.4 million for the three months ended March 31, 2011, an effective tax rate of 48.4%. The effective tax rate for the first quarter of 2011 exceeded the U.S. federal statutory rate of 35% due to state taxes and non-deductible permanent differences including the $0.9 million charge related to equity compensation surrendered by Gibraltar s Chief Executive Officer. During the first quarter of 2010, we recognized a benefit from income taxes of $1.9 million, an effective tax rate of 44.6%. The effective tax rate for the three months ended March 31, 2010 exceeded the U.S. federal statutory tax rate of 35% due to state taxes, the net benefit of discrete items, and the impact of non-deductible permanent differences.

Outlook

We expect the modest improvements in the building and industrial markets we serve, including the repair and remodel, residential construction, and non-residential construction markets, to continue during 2011. However, the extent of any sustained economic recovery in these markets is uncertain. For the second quarter of 2011, we expect the contributions of D.S. Brown and stability within the markets we serve to generate net sales levels favorable to the second quarter of 2010. Over the long-term, we believe that the fundamentals of the building and industrial markets are positive and the aggressive actions taken to streamline and improve the efficiency of our business have reduced our break-even point and positioned Gibraltar to generate marked improvements in profitability when economic and market conditions return toward historical levels.

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Liquidity and Capital Resources

General

Our principal capital requirements are to fund our operations, including working capital, the purchase and funding of capital improvements to our business and facilities, and to fund acquisitions. During the next twelve months, we will focus on investing in growth opportunities when they are appropriate while focusing on working capital efficiency and our cost reduction efforts to minimize the cash invested to grow our business. During the first quarter of 2011, we invested cash in our working capital to meet the demand from our customers as noted below in the Cash Flow section of Item 2 of this Quarterly Report on Form 10-Q.

As of March 31, 2011, our liquidity of $208.0 million consisted of $104.5 million of cash and $103.5 million of availability under our revolving credit facility. We believe that the availability of funds under the Senior Credit Agreement together with the cash generated from operations should be sufficient to provide the Company with the liquidity and capital resources necessary to support our principal capital requirements during the next twelve months, taking into consideration any strategic growth opportunities including, but not limited to, any acquisitions.

Our Senior Credit Agreement provides the Company with liquidity and capital resources for use by our U.S. operations. Historically, our foreign operations generated cash flow from operations sufficient to invest in working capital and to fund capital improvements to their businesses and facilities. As of March 31, 2011, our foreign subsidiaries held $18.6 million of cash. We believe cash held by our foreign subsidiaries provides our foreign operations with the necessary liquidity to meet their future obligations and allows the foreign business units to reinvest in their operations and could eventually be used to grow our business internationally through additional acquisitions.

Over the long-term, we expect that future obligations, including strategic business opportunities such as acquisitions, may be financed through a number of sources, including internally available cash resources, new debt financing, the issuance of equity securities, or any combination of the above. Any potential acquisitions are evaluated on the basis of our ability to enhance our existing products, operations, or capabilities, as well as provide access to new products, markets, and customers. The acquisition of D.S. Brown completed April 1, 2011 was financed through the use of cash on hand and debt available under our revolving credit facility.

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

Cash Flows

The following table sets forth selected cash flow data for the three months ended March 31 (in thousands):

	2011	2010
Cash (used in) provided by:		
Operating activities of continuing operations	$ (9,234)	$ 3,423
Investing activities of continuing operations	56,678	28,588
Financing activities of continuing operations	(720)	(50,933)
Discontinued operations	(3,086)	15,125
Net increase (decrease) in cash and cash equivalents	$ 43,638	$ (3,797)

During the three months ended March 31, 2011, net cash used in continuing operations totaled $9.2 million, primarily driven by a $19.9 million investment in working capital partially offset by income from continuing operations of $1.4 million and non-cash charges including depreciation, amortization, and stock compensation of $9.3 million. Net cash provided by operating activities for the three months ended March 31, 2010 was $3.4 million and was primarily the result of non-cash charges including depreciation, amortization, and stock compensation of $9.8 million partially offset by a loss from continuing operations of $2.4 million and a $4.0 million increase in net assets and liabilities.

During the three months ended March 31, 2011, the Company invested $19.9 million in its working capital to fund growth in sales and inventory to meet demand in our seasonally strongest periods. Cash invested in working capital and other net assets was primarily a result of $24.6 million and $14.1 million increases in accounts receivable and inventory, respectively, partially offset by a $15.8 million increase in accounts payable. The increase in accounts receivable was a result of increased sales volume and pricing offered to customers due to rising commodity costs. Inventory and accounts payable increased due to increased manufacturing activity. The increased sales volume and manufacturing activity were a direct result of the seasonality that impacts our business.

Net cash provided by investing activities of continuing operations for the three months ended March 31, 2011 of $56.7 million consisted primarily of $58.0 million of cash flow generated from the sale of our USP business offset by capital expenditures of $1.8 million. Cash provided by investing activities during the three months ended March 31, 2010 of $28.6 million consisted of $30.1 million of cash flow generated from the sale of our Processed Metal Products business offset by capital expenditures of $1.5 million.

Cash used in financing activities from continuing operations for the three months ended March 31, 2011 of $0.7 million consisted of tax withholdings paid for stock issued to employees from the vesting of restricted stock units. Net cash used in financing activities from continuing operations for the three months ended March 31, 2010 of $50.9 million consisted primarily of $50.0 million of repayments on long-term debt and $1.0 million of tax withholdings paid for stock issued to employees from the vesting of restricted stock units. Payments of long-term debt made during 2010 were the result of cash flows generated from operations and proceeds from the divestiture of the Processed Metal Products business offset by other investing activities.

Senior Credit Agreement and Senior Subordinated Notes

Borrowings under the Senior Credit Agreement are secured by the trade receivables, inventory, personal property and equipment, and certain real property of the Company s significant domestic subsidiaries. The Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount that does not exceed the lesser of (i) $200 million or (ii) a borrowing base determined by reference to the trade receivables, inventories, and property, plant, and equipment of the Company s significant domestic subsidiaries. The revolving credit facility is committed through August 30, 2012. Borrowings on the revolving credit facility bear interest at a variable interest rate based upon the London Interbank Offered Rate (LIBOR), with a LIBOR floor of 1.50% plus 3.25%, or at the Company s option, an alternate base rate. The revolving credit facility also carries an annual facility fee of 0.50% on the entire facility, whether drawn or undrawn, and fees on outstanding letters of credit which are payable quarterly. As of March 31, 2011, we had $103.5 million of availability under the revolving credit facility.

During 2010, we repaid all amounts outstanding on the revolving credit facility and did not have any borrowings under the Senior Credit Agreement during the first quarter of 2011. We had outstanding letters of credit of $14.1 million as of March 31, 2011. As noted above, we financed the April 1, 2011 acquisition of D.S. Brown with cash on hand and debt available under our revolving credit facility.

The Company s $204.0 million of Senior Subordinated 8% Notes (8% Notes) were issued in December 2005 at a discount to yield 8.25%. Provisions of the 8% Notes include, without limitation, restrictions on indebtedness, liens, and distributions from restricted subsidiaries, asset sales, affiliate transactions, dividends, and other restricted payments. Dividend payments are subject to annual limits of $0.25 per share and $10 million. The 8% Notes are currently redeemable at the option of the Company, in whole or in part, at the redemption price (as defined in the Senior Subordinated 8% Notes Indenture), which declines annually from 104% to 100% on and after December 1, 2013. In the event of a Change in Control (as defined in the Senior Subordinated 8% Notes Indenture), each holder of the 8% Notes may require the Company to repurchase all or a portion of such holder s 8% Notes at a purchase price equal to 101% of the principal amount thereof. As of March 31, 2011, we had $202.1 million, net of discount, of our 8% Notes outstanding.

Each of our significant domestic subsidiaries has guaranteed the obligations under the Senior Credit Agreement. Debt outstanding under the Senior Credit Agreement and the related guarantees are secured by a first priority security interest (subject to permitted liens as defined in the Senior Credit Agreement) in substantially all the tangible and intangible assets of our Company and our material domestic subsidiaries, subject to certain exceptions, and a pledge of 100% of the stock of our significant domestic subsidiaries and a pledge of 65% of the voting stock of our foreign subsidiaries. The 8% Notes are guaranteed by each of our significant domestic subsidiaries.

On a trailing four-quarter basis, the Senior Credit Agreement includes a single financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio (as defined in the Senior Credit Agreement) of 1.25 to 1.00 at the end of each quarter. As of March 31, 2011, the Company was in compliance with the minimum fixed charge coverage ratio covenant. Management expects to be in compliance with the fixed coverage ratio throughout 2011. The Senior Credit Agreement contains other provisions and events of default that are customary for similar agreements and may limit the Company s ability to take various actions. The Senior Subordinated 8% Notes Indenture also contains provisions that limit additional borrowings based on the Company s consolidated coverage ratio.

Off Balance Sheet Financing Arrangements

The Company does not have any off balance sheet financing arrangements.

Contractual Obligations

Our contractual obligations have not changed materially from the disclosures included in Item 7 of the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

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Critical Accounting Policies

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

Our most critical accounting policies include the valuation of accounts receivable; valuation of inventory; assessment of recoverability of depreciable and amortizable long-term assets, goodwill, and other indefinite-lived intangible assets; and accounting for income taxes and deferred tax assets and liabilities, which are described in Item 7 of the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

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

Related Party Transactions

A member of our Board of Directors, Gerald S. Lippes, is a partner in a law firm that provides legal services to Gibraltar. For the three months ended March 31, 2011 and 2010, the Company incurred expense of $0.6 million and $0.2 million, respectively, for legal services from this firm. At March 31, 2011 and December 31, 2010, the Company had $0.6 million and $0.3 million, respectively, recorded in accounts payable for amounts due to this law firm.

A member of the Company s Board of Directors, Robert E. Sadler, Jr., is a member of the Board of Directors of M&T Bank Corporation, one of the eleven participating lenders which have committed capital to our $200 million revolving credit facility in the Company s Third Amended and Restated Credit Agreement dated July 24, 2009 (the Senior Credit Agreement). All amounts outstanding under the revolving credit facility were repaid in full as of March 31, 2011 and December 31, 2010. No principal was outstanding under the revolving credit facility and no principal or interest was paid to the lenders during the three months ended March 31, 2011.

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

Recent Accounting Pronouncements

The Financial Accounting Standards Board has not issued any Accounting Standards Updates that are applicable to Gibraltar since our Annual Report on Form 10-K was filed for the year ended December 31, 2010.

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Item 3. Qualitative and Quantitative Disclosures About Market Risk

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition, and raw materials pricing and availability. In addition, the Company is exposed to market risk, primarily related to its long-term debt. To manage interest rate risk, the Company uses both fixed and variable interest rate debt. The Company also entered into an interest rate swap agreement that converted a portion of its variable interest rate debt to fixed interest rate debt. At the time we entered into the interest rate swap agreement, $57.5 million of variable interest rate borrowings had been effectively converted to fixed interest rate debt pursuant to this agreement. In connection with the subsequent repayment of all variable interest rate debt under the Senior Credit Agreement, and based on the Company s prospective assessment of the effectiveness of the interest rate swap, the Company deemed the swap to be ineffective in offsetting variability in future interest payments on its variable interest rate borrowings. The interest rate swap agreement expired December 22, 2010. There have been no material changes to the Company s exposure to market risk since December 31, 2010.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

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

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risks discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operation, cash flows, and future prospects. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may materially adversely impact our business, financial condition, or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. (Removed and Reserved)

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

6(a) Exhibits

a. Exhibit 10.1 Change in Control Agreement with Brian J. Lipke dated March 24, 2011 (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed March 25, 2011).

b. Exhibit 10.2 Change in Control Agreement with Henning N. Kornbrekke dated March 24, 2011 (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed March 25, 2011).

c. Exhibit 10.3 Letter from Brian J. Lipke dated March 24, 2011 (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K filed March 25, 2011).

d. Exhibit 10.4 Stock Purchase Agreement among Gibraltar Steel Corporation of New York, MiTek Industries, Inc., and MiTek Canada, Inc. dated March 10, 2011 (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed March 15, 2011).

e. Exhibit 10.5 Stock Purchase Agreement among Gibraltar Industries, Inc. and the stockholders of D.S.B. Holding Corp. dated March 10, 2011 (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed March 15, 2011).

f. Exhibit 10.6 Amendment No. 2 to the Third Amended and Restated Credit Agreement among Gibraltar Industries, Inc., Gibraltar Steel Corporation of New York, Key Bank National Association and the other lenders named therein, dated as of March 10, 2011 (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K/A filed April 4, 2011).

g. Exhibit 10.7 Amendment No. 3 to the Third Amended and Restated Credit Agreement among Gibraltar Industries, Inc., Gibraltar Steel Corporation of New York, Key Bank National Association and the other lenders named therein, dated as of April 1, 2011 (incorporate by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K/A filed April 25, 2011)

h. Exhibit 31.1 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

i. Exhibit 31.2 Certification of President and Chief Operating Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

j Exhibit 31.3 Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

k. Exhibit 32.1 Certification of the Chairman of the Board and Chief Executive Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

l. Exhibit 32.2 Certification of the President and Chief Operating Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

m. Exhibit 32.3 Certification of the Senior Vice President and Chief Financial Officer, pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

n. Exhibit 99.1 First Amendment to the Third Amendment and Restatement of the Gibraltar Industries, Inc. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 of the Company s Current Report on Form 8-k filed April 25, 2011).

o. Exhibit 101.INS XBRL Instance Document *

p. Exhibit 101.SCH XBRL Taxonomy Extension Schema Document *

q. Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document *

r. Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document *

s. Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document *

t. Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase Document *

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

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SIGNATURES

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

GIBRALTAR INDUSTRIES, INC.
(Registrant)

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

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

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

Date: May 5, 2011