GIBRALTAR STEEL CORP
Form 424B1
December 19, 2003
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Filed Pursuant to Rule 424(b)(1)
Registration No. 333-110313

PROSPECTUS

4,130,000 Shares

Gibraltar Steel Corporation

Common Stock

$24.75 per share

We are selling 3,000,000 shares of our common stock and the selling stockholders named in this prospectus are selling 1,130,000 shares. We will not receive any proceeds from the sale of the shares by the selling stockholders. We have granted the underwriters an option to purchase up to 464,625 additional shares of common stock and certain of the selling stockholders have granted the underwriters an option to purchase up to 154,875 additional shares of common stock to cover over-allotments.

Our common stock is quoted on the Nasdaq National Market under the symbol ROCK. The last reported sale price of our common stock on the Nasdaq National Market on December 17, 2003, was $25.34 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 5.

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

	Per Share	Total
Public Offering Price	$ 24.7500	$ 102,217,500
Underwriting Discount	$ 1.2375	$ 5,110,875
Proceeds to Gibraltar (before expenses)	$ 23.5125	$ 70,537,500
Proceeds to the selling stockholders (before expenses)	$ 23.5125	$ 26,569,125

The underwriters expect to deliver the shares to purchasers on or about December 23, 2003.

Citigroup

JPMorgan **McDonald Investments Inc.**

CIBC World Markets

December 17, 2003

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CURRENT LOCATIONS

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

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SUMMARY

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

The Company

We process, manufacture and provide high value-added, high margin products and services. Since our initial public offering in 1993, we have continued to build upon our core competencies of steel processing and manufacturing by expanding into the metal processing, building products and commercial heat-treating markets through strategic acquisitions and internal growth. We have broadened our product lines and services, entered new geographic and end-user markets and expanded our customer base through the acquisition of 18 businesses for approximately $452 million and the investment of approximately $178 million in capital expenditures. Most recently we completed the acquisition of Construction Metals Inc. and Air Vent Inc. and have entered into a joint venture with Duferco Farrell Corp. As a result of this growth, we now have 68 facilities in 26 states, Canada and Mexico serving more than 10,000 customers in a variety of industries.

Since our initial public offering, our operating approach and the successful execution of our growth strategy have enabled us to outperform most of our publicly traded competitors in the processor and service center industry with respect to net sales and net income growth. From 1993 through 2002, our net sales and net income increased at compound annual growth rates of 16% and 14%, respectively. The national economic slowdown caused a decrease in our net sales in 2001 and 2002 as compared to net sales in 2000 and net income in 2000, 2001 and 2002 as compared to net income in 1999. Net sales and net income for the first nine months of 2003 increased by 17% and 10%, respectively, as compared to the results generated in the first nine months of 2002.

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

We sell our products both domestically and internationally. Our distribution channels, by business segment, are:

Processed Steel Products directly to manufacturers and distributors and, to a lesser extent, to end-users;

Building Products through hardware and building products distributors and through retail home centers; and

Heat Treating	directly to manufacturers.

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Our Opportunity

We believe we have opportunities to build on the established position we have in each of our business segments. We believe that there is a continued opportunity to expand each area of our business driven by the trends in heat treating and processed steel toward consolidation and outsourcing and in building products toward consolidation and growth in the use of metal products for residential and light commercial construction. We believe the ongoing trend of increased use of metal building products will continue because of favorable environmental characteristics, stricter building codes, insurance company requirements, cost efficiency and architectural design enhancements.

Our Competitive Strengths

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

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

Our Strategy

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

- a focus on high value-added, high margin products and services;
- a commitment to internal growth and continuous cost reduction;

a commitment to external growth through the acquisition of businesses which are immediately accretive to our earnings per share, have long-term growth potential and also complement, expand and enhance our products and services and broaden our markets and customer base; and

a dedication to quality, service and customer satisfaction.

Recent Developments

Continuing our growth strategy, we made two acquisitions in the past year. In April 2003, we acquired Construction Metals, an Ontario, California-based manufacturer with locations in Fontana, California; Las Vegas, Nevada; Phoenix, Arizona; Hayward, California; Denver, Colorado; Kent, Washington; Escondido, California; Salt Lake City, Utah; and Albuquerque, New Mexico. Construction Metals manufactures and distributes a wide array of building products which are sold to retail and wholesale customers throughout the western United States.

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In May 2003, we acquired Air Vent Inc., which operates three manufacturing facilities in Dallas, Texas; Clinton, Iowa; and Lincolnton, North Carolina and operates a sales office and customer service department in Peoria, Illinois. Air Vent Inc. manufactures and distributes a complete line of ventilation products and accessories. We believe that with the acquisition of Air Vent, Gibraltar became the largest manufacturer of ventilation products and accessories in North America based upon net sales.

In December 2003, we entered into a joint venture with Duferco Farrell Corp. through our acquisition of a 50% interest in Gibraltar DFC Strip Steel, LLC. The joint venture manufactures and distributes cold-rolled strip steel products at its facility in Farrell, Pennsylvania.

Corporate Information

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

The Offering

Common stock being offered by:	
Our company	3,000,000 shares
The selling stockholders	1,130,000 shares
Total	4,130,000 shares
Common stock to be outstanding after this offering	19,227,127 shares[(1)]
Use of proceeds	We will use the net proceeds to repay a portion of our outstanding bank indebtedness, some of which was used to fund the acquisitions of Construction Metals, Air Vent and our membership interest in Gibraltar DFC Strip Steel and for general corporate purposes. We will not receive any proceeds from shares sold by the selling stockholders. See Use of Proceeds.
Nasdaq National Market symbol	ROCK

(1) Excludes (i) an aggregate of 400,000 shares of common stock reserved for issuance under our Non-Qualified Stock Option Plan, of which 67,500 shares were subject to outstanding options as of September 30, 2003 at a weighted average exercise price of $16.53 per share, (ii) an aggregate of 1,500,000 shares of common stock reserved for issuance under our Incentive Stock Option Plan (540,205 shares were subject to outstanding options as of September 30, 2003 at a weighted average exercise price of $16.95 per share, all of which were issued under a predecessor plan) and (iii) an aggregate of 135,000 shares of common stock reserved for issuance under our Restricted Stock Plan.

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Summary Consolidated Financial Data

The summary consolidated financial data presented below have been derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers LLP, except that the data for the nine-month periods ended September 30, 2002 and 2003 are derived from unaudited condensed consolidated financial statements which, in our opinion, reflect all adjustments necessary for a fair presentation. The consolidated balance sheets as of December 31, 2001 and 2002 and September 30, 2002 and 2003 and the related statements of income, cash flows and shareholders equity for the three years ended December 31, 2002 and the nine-month periods ended September 30, 2002 and 2003 and notes thereto appear elsewhere in this prospectus. Results for the nine-month periods are not necessarily indicative of results for the full year. The summary consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by, Management s Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and the notes thereto and other financial information included elsewhere in this prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
	(dollars in thousands, except per share data)						
Income Statement Data:							
Net sales	$ 557,944	$ 621,918	$ 677,540	$ 616,028	$ 645,114	$ 489,393	$ 572,971
Gross profit	101,495	127,973	135,797	116,083	127,289	97,254	112,853
Income from operations	44,455	55,469	59,892	37,509	50,160	39,895	45,459
Interest expense	11,389	13,439	18,942	16,446	10,403	7,708	10,238
Income before income taxes	33,066	42,030	40,950	21,063	39,757	32,187	35,221
Net income	19,840	25,008	24,365	12,533	23,854	19,151	21,133
Earnings per Share Data:							
Diluted	$ 1.57	$ 1.95	$ 1.92	$ 0.98	$ 1.54	$ 1.25	$ 1.31
Basic	1.59	1.99	1.94	1.00	1.56	1.27	1.32
Weighted average shares outstanding Diluted	12,651	12,806	12,685	12,773	15,519	15,289	16,122
Weighted average shares outstanding Basic	12,456	12,540	12,577	12,591	15,280	15,039	15,967
Other Data:							
Capital expenditures	$ 22,062	$ 21,999	$ 19,619	$ 14,334	$ 15,995	$ 11,699	$ 16,544
Depreciation and amortization	13,333	17,452	21,188	23,486	20,481	15,255	16,711
Cash dividends per share		0.150	0.115	0.135	0.155	0.115	0.130
Balance Sheet Data (end of period):(1)							
Working capital	$ 124,236	$ 112,923	$ 132,407	$ 105,064	$ 138,246	$ 130,409	$ 140,017
Goodwill	79,971	115,350	130,368	132,717	133,452	133,452	255,853
Total assets	438,435	522,080	556,046	535,040	576,568	589,166	764,647
Total debt	200,746	236,621	255,853	212,275	166,932	167,193	292,186
Shareholders equity	160,308	185,459	208,348	218,347	293,117	289,097	317,964

(1) See Capitalization for the unaudited pro forma balance sheet data assuming that consummation of this offering and application of the estimated proceeds therefrom to reduce indebtedness had occurred on September 30, 2003.

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RISK FACTORS

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

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

Our principal raw material is flat-rolled steel, which we purchase from multiple primary steel producers. The steel industry as a whole is very cyclical, and at times pricing can be volatile due to a number of factors beyond our control, including general economic conditions, labor costs, competition, import duties, tariffs and currency exchange rates. This volatility can significantly affect our steel costs. In addition, it was recently announced that the import tariffs imposed in March 2002 pursuant to Section 201 of the Fair Trade Act of 1974 were lifted. The impact of this decision cannot be predicted at this time. Other significant raw materials we use include aluminum and plastics, which are also subject to volatility.

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

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

Sales of our products for use in the building and construction industry accounted for approximately 51%, 56%, 53% and 58% of our net sales in 2000, 2001, 2002, and for the first nine months of 2003, respectively. These sales were made primarily to retail home centers and wholesale distributors. For the nine months ended September 30, 2003, The Home Depot accounted for approximately 10% of our net sales. A loss of this business could adversely affect our profitability. The building and construction industry is cyclical, with product demand based on numerous factors such as interest rates, general economic conditions, consumer confidence and other factors beyond our control.

Sales of our products for use in the automotive industry accounted for approximately 30%, 27%, 29% and 25% of our net sales in 2000, 2001, 2002 and for the first nine months of 2003, respectively. Such sales include sales directly to auto manufacturers and to manufacturers of automotive components and parts. The automotive industry experiences significant fluctuations in demand based on numerous factors such as general economic conditions, consumer confidence and other factors beyond our control.

We also sell our products to customers in other industries that experience cyclicality in demand for products, such as the steel and machinery and equipment industries. None of these industries individually represented more than 5% of our annual net sales in 2002.

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

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

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

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

Periods of economic slowdown or recession in the United States or other countries, or the public perception that one may occur, could decrease the demand for our products, affect the availability and price of our products and adversely impact our business.

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

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

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

Upon the consummation of this offering, approximately 21.97% (or approximately 21.45% if the underwriters over-allotment option is exercised in full) of our outstanding common stock, including shares of common stock issuable under options granted which are exercisable within 60 days, will be owned by Brian J. Lipke, who is the Chairman and Chief Executive Officer of our company, Meredith A. Lipke, an employee of our company, and Neil E. Lipke, Eric R. Lipke and Curtis W. Lipke, all of whom are siblings, Patricia K. Lipke, mother of the Lipke siblings, and certain trusts for the benefit of each of them. As a result, the Lipke family will continue to have significant influence over all actions requiring stockholder approval, including the election of our board of directors. Through their concentration of voting power, the Lipke family could delay, deter or prevent a change in control of our company or other business combinations that might otherwise be beneficial to our other stockholders. In deciding how to vote on such matters, the Lipke family may be influenced by interests that conflict with yours.

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

common stock.

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

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

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

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

Our success is dependent on the management and leadership skills of our senior management team. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel could prevent us from implementing our business strategy. We cannot assure you that we will be able to retain our existing senior management personnel or to attract additional qualified personnel when needed. We have not entered into employment agreements with any of our senior management personnel other than Brian J. Lipke, our Chairman of the Board and Chief Executive Officer. On August 26, 2003, we announced the retirement of our President, Walter T. Erazmus, effective December 31, 2003. Upon Mr. Erazmus retirement, Henning Kornbrekke, currently a Vice President, will become our President.

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

We have no direct business operations other than our ownership of the capital stock of our subsidiaries. As a holding company, we are dependent on dividends or other intercompany transfers of funds from our subsidiaries. If our subsidiaries are not able to provide us with dividends or other intercompany transfers of funds, we may not have sufficient funds to enable us to pay dividends and to meet our direct obligations.

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

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

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

We could incur substantial costs in order to comply with, or to address any violations under, environmental laws.

Our operations and facilities are subject to a variety of federal, state, local and foreign laws and regulations relating to the protection of the environment and human health and safety. Failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in substantial operating costs and capital expenditures, in addition to fines and civil or criminal sanctions, third party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations. Certain of our facilities have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Environmental liabilities could exist, including cleanup obligations at these facilities or at off-site locations where materials from our operations were disposed of, which could result in future expenditures that cannot be currently quantified and which could reduce our profits.

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

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

FORWARD LOOKING STATEMENTS

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

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USE OF PROCEEDS

We expect to receive net proceeds of approximately $69.9 million from the sale of the 3,000,000 shares of common stock that we are offering ($80.9 million if the underwriters exercise their over-allotment in full), after deducting underwriting discounts, commissions and our estimated offering expenses, based on the offering price to the public of $24.75 per share. We will not receive any proceeds from the sale of the shares of common stock being sold by the selling stockholders.

We intend to use the net proceeds from this offering to repay a portion of the borrowings outstanding under our existing credit facility, which expires in June, 2007, and for general corporate purposes. In 2003, borrowings under our credit facility were used primarily to fund the acquisitions of Construction Metals, Air Vent and our membership in Gibraltar DFC Strip Steel, as well as capital expenditures. Our credit facility provides for a revolving credit line of up to $290 million. The amounts outstanding under our credit facility bear interest at various rates above the London InterBank Offered Rate (LIBOR) or at the agent bank s prime rate, as selected by us. We have entered into interest rate swap agreements which convert certain of our borrowings under the credit facility from variable interest indebtedness to fixed interest indebtedness. At September 30, 2003, amounts outstanding under our credit facility were approximately $180 million, bearing interest at a weighted average interest rate of 4.8%. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Our credit facility is secured by substantially all of our accounts receivable, inventory, equipment and fixtures and other personal property, now owned or hereafter acquired. Our credit facility contains covenants restricting our ability to make capital expenditures, incur additional indebtedness, sell a substantial portion of our assets, merge or make acquisitions or investments in an amount in excess of $50 million, and obligates us to meet certain financial requirements. In addition, our credit facility contains certain restrictions on our ability to pay dividends.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2003 (i) on an actual basis and (ii) as adjusted to give effect to this offering and the application of the estimated net proceeds received by us to repay indebtedness under our credit facility. See Use of Proceeds. You should read this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	As of September 30, 2003	
	Actual	As Adjusted
	(dollars in thousands)	
Long-term debt:		
Revolving credit notes payable	$ 179,936	$ 109,998
Other, including current portion of long term debt of $14,848	112,250	112,250
Total long term debt	292,186	222,248
Shareholders equity:		
Common stock, $.01 par value, 50,000,000 shares authorized, 16,246,127 shares issued and 16,227,127 shares outstanding (19,246,127 shares issued and 19,227,127 shares outstanding, as adjusted)[(1)]	162	192
Additional paid-in capital	128,675	198,583
Retained earnings.	191,188	191,188
Unearned compensation	(859)	(859)
Accumulated comprehensive loss	(1,202)	(1,202)
Total shareholders equity	317,964	387,902
Total capitalization	$ 610,150	$ 610,150

(1) Excludes (i) an aggregate of 400,000 shares of common stock reserved for issuance under our Non-Qualified Stock Option Plan, of which 67,500 shares were subject to outstanding options as of September 30, 2003 at a weighted average exercise price of $16.53 per share, (ii) an aggregate of 1,500,000 shares of common stock reserved for issuance under our Incentive Stock Option Plan (540,205 shares were subject to outstanding options as of September 30, 2003 at a weighted average exercise price of $16.95 per share, all of which were issued under a predecessor plan) and (iii) an aggregate of 135,000 shares of common stock reserved for issuance under our Restricted Stock Plan.

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PRICE RANGE OF COMMON STOCK

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

	Common Stock Price	
	High	**Low**
Year Ended December 31, 2000		
First Quarter	$ 24.000	$ 14.750
Second Quarter	18.813	12.813
Third Quarter	19.375	14.000
Fourth Quarter	18.000	11.500
Year Ended December 31, 2001		
First Quarter	$ 18.125	$ 14.250
Second Quarter	22.000	15.688
Third Quarter	20.220	13.430
Fourth Quarter	20.960	15.150
Year Ended December 31, 2002		
First Quarter	$ 21.970	$ 14.950
Second Quarter	25.000	20.460
Third Quarter	25.890	19.010
Fourth Quarter	22.970	17.230
Year Ended December 31, 2003		
First Quarter	$ 20.470	$ 16.710
Second Quarter	21.290	16.650
Third Quarter	24.220	20.000

On December 17, 2003, the last reported sale price of our common stock on the Nasdaq National Market was $25.34 per share. As of September 30, 2003, there were 122 holders of record of our common stock.

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DIVIDEND POLICY

Since 1999, we have declared quarterly cash dividends on our common stock as set forth in the table below. We may reconsider or revise this policy from time to time based upon conditions then existing, including, without limitation, our earnings, financial condition, capital requirements or other conditions our board of directors may deem relevant. In addition, our credit facility and the note purchase agreements entered into with The Prudential Insurance Company of America, each dated as of July 3, 2002, pursuant to which the Company issued a $25 million senior secured note and a $25 million senior subordinated note, each contain covenants that may restrict our ability to pay dividends. Such covenants include, among others, a requirement that we maintain a minimum net worth equal to $220 million plus 50% of our cumulative net income from June 30, 2002 ($236.5 million as of September 30, 2003) and comply with other financial ratios relating to our ability to pay our current obligations. Although we expect to continue to declare and pay cash dividends on our common stock in the future if earnings are available, we cannot assure you that either cash or stock dividends will be paid in the future on our common stock or that, if paid, the dividends will be in the same amount or at the same frequency as paid in the past.

		Dividend per Share
Year Ended December 31, 1999		
First Quarter	$	0.075(1)
Second Quarter		0.025
Third Quarter		0.025
Fourth Quarter		0.025
Total	**$**	**0.150**
Year Ended December 31, 2000		
First Quarter	$	0.025
Second Quarter		0.030
Third Quarter		0.030
Fourth Quarter		0.030
Total	**$**	**0.115**
Year Ended December 31, 2001		
First Quarter	$	0.030
Second Quarter		0.035
Third Quarter		0.035
Fourth Quarter		0.035
Total	**$**	**0.135**
Year Ended December 31, 2002		
First Quarter	$	0.035
Second Quarter		0.040
Third Quarter		0.040
Fourth Quarter		0.040
Total	**$**	**0.155**
Year Ended December 31, 2003		
First Quarter	$	0.040

Second Quarter	0.045
Third Quarter	0.045

(1) Includes a special dividend of $0.050 per share.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below have been derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers LLP, except that the data for the nine-month periods ended September 30, 2002 and 2003 are derived from unaudited condensed consolidated financial statements which, in our opinion, reflect all adjustments necessary for a fair presentation. The consolidated balance sheets as of December 31, 2001 and 2002 and September 30, 2002 and 2003 and the related statements of income, cash flows and shareholders equity for the three years ended December 31, 2002 and the nine-month periods ended September 30, 2002 and 2003 and notes thereto appear elsewhere in this prospectus. Results for the nine-month periods are not necessarily indicative of results for the full year. The selected consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by, Management s Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and the notes thereto and other financial information included elsewhere in this prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
	(dollars in thousands, except per share data)						
Income Statement Data:							
Net sales	$ 557,944	$ 621,918	$ 677,540	$ 616,028	$ 645,114	$ 489,393	$ 572,971
Gross profit	101,495	127,973	135,797	116,083	127,289	97,254	112,853
Income from operations	44,455	55,469	59,892	37,509	50,160	39,895	45,459
Interest expense	11,389	13,439	18,942	16,446	10,403	7,708	10,238
Income before income taxes	33,066	42,030	40,950	21,063	39,757	32,187	35,221
Net income	19,840	25,008	24,365	12,533	23,854	19,151	21,133
Earnings per Share Data:							
Diluted	$ 1.57	$ 1.95	$ 1.92	$ 0.98	$ 1.54	$ 1.25	$ 1.31
Basic	1.59	1.99	1.94	1.00	1.56	1.27	1.32
Weighted average shares outstanding Diluted	12,651	12,806	12,685	12,773	15,519	15,289	16,122
Weighted average shares outstanding Basic	12,456	12,540	12,577	12,591	15,280	15,039	15,967
Other Data:							
Capital expenditures	$ 22,062	$ 21,999	$ 19,619	$ 14,334	$ 15,995	$ 11,699	$ 16,544
Depreciation and amortization	13,333	17,452	21,188	23,486	20,481	15,255	16,711
Cash dividends per share		0.150	0.115	0.135	0.155	0.115	0.130
Balance Sheet Data (end of period):(1)							
Working capital	$ 124,236	$ 112,923	$ 132,407	$ 105,064	$ 138,246	$ 130,409	$ 140,017
Goodwill	79,971	115,350	130,368	132,717	133,452	133,452	255,853
Total assets	438,435	522,080	556,046	535,040	576,568	589,166	764,647
Total debt	200,746	236,621	255,853	212,275	166,932	167,193	292,186
Shareholders equity	160,308	185,459	208,348	218,347	293,117	289,097	317,964

(1) See Capitalization for the unaudited pro forma balance sheet data assuming that consummation of this offering and application of the estimated proceeds therefrom to reduce indebtedness had occurred on September 30, 2003.

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

Results of Operations

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Consolidated

Net sales of $208 million for the third quarter ended September 30, 2003, increased by approximately $34.8 million, or 20.1%, from net sales of $173.2 million for the third quarter of 2002. Net sales of $573 million for the first nine months of 2003 increased by approximately $83.6 million, or 17.1%, from net sales of $489.4 million from the prior year s comparable period. These increases were primarily due to the addition of net sales of B&W Heat Treating (acquired July 1, 2002), Construction Metals (acquired April 1, 2003) and Air Vent (acquired May 1, 2003) which contributed approximately $32.7 million in additional sales for the third quarter and $63.9 million for the nine months ended September 30, 2003, as well as increased sales with existing customers.

Gross profit as a percentage of net sales increased to 20.7% in the third quarter of 2003 from 20.0% in the third quarter of 2002. Gross margin for the first nine months of 2003 was 19.7% compared to 19.9% for the same period in 2002. The increase in gross margin percentage for the three months ended September 30, 2003, was primarily the result of higher gross margin percentages at the recently acquired companies as compared to our historical gross margin levels. The increase in gross margin percentage for the three months ended September 30, 2003, was partially offset by higher raw material costs and employee benefit costs at each of our respective operating segments. Gross margin percentage for the first nine months of 2003 was comparable to the same period in 2002.

Selling, general and administrative expenses for the three months ended September 30, 2003, increased to 12.4% of net sales as compared to 11.5% for the prior year s comparable period. Selling, general and administrative expenses for the first nine months of 2003 were 11.8% of net sales compared to 11.7% for the same period in 2002. The increase in selling, general and administrative expenses for three months ended September 30, 2003 was primarily due to the 2003 acquisitions having higher selling, general and administrative expenses as a percentage of net sales. Additionally, employee incentive compensation expenses were higher in the third quarter of 2003, as compared to the third quarter of 2002. Selling, general and administrative expenses as a percentage of net sales for the first nine months of 2003 was comparable to the same period in 2002.

As a result of the above, income from operations as a percentage of net sales for the third quarter ended September 30, 2003 decreased to 8.3% from 8.5% for the third quarter of 2002. Income from operations as a percentage of net sales for the nine months ended September 30, 2003, was 7.9% compared to 8.2% for the same period in 2002.

Interest expense increased by approximately $1.2 million to $4.0 million for the third quarter of 2003 and $2.5 million to $10.2 million for the nine months ended September 30, 2003, compared to the same periods in 2002. These increases were primarily due to increased borrowings related to the 2003 acquisitions of Construction Metals and Air Vent.

As a result of the above, income before taxes increased by $1.3 million to $13.3 million for the third quarter of 2003 and $3.0 million to $35.2 million for the nine months ended September 30, 2003, compared to the same periods in 2002.

Income taxes for the third quarter and nine months ended September 30, 2003 approximated $5.3 million and $14.1 million and were based on a 40% effective tax rate in 2003, compared to 40.5% in 2002.

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Segment Information

Processed Steel Products. Net sales of $62.7 million for the third quarter ended September 30, 2003 decreased by approximately $7.8 million, or 11.1%, from net sales of $70.5 million for the third quarter of 2002. Net sales of $203.4 million for the first nine months of 2003 decreased by approximately $0.7 million, from net sales of $204.1 million for the prior year s comparable period. These decreases were primarily due to decreases in automotive production levels by the Big Three automotive manufacturers, as well as reduced sales in the service center business, primarily attributable to the reduction in processed steel demand for use in commercial building industry applications.

Income from operations decreased to 7.4% of net sales for the third quarter ended September 30, 2003 from 11.9% for the prior year s third quarter. For the nine months ended September 30, 2003, income from operations as a percentage of net sales decreased to 9.6% from 12.1% for the comparable period in 2002. These decreases were primarily due to higher raw material costs as a percentage of lower net sales, as well as increased employment costs.

Building Products. Net sales of $123.4 million for the third quarter ended September 30, 2003, increased by approximately $42.1 million, or 51.8%, from net sales of $81.3 million for the third quarter of 2002. Net sales of $303.7 million for the first nine months of 2003 increased by approximately $78.1 million, or 34.6%, from net sales of $225.6 million for the prior year s comparable period. These increases were primarily due to the addition of net sales of Construction Metals (acquired April 1, 2003) and Air Vent (acquired May 1, 2003), which contributed approximately $32.7 million and $58.4 million in net sales for the three and nine months ended September 30, 2003, respectively. The remaining increase in net sales was the result of continued sales penetration with existing customers through both new and redesigned product offerings.

Income from operations increased to 12.9% of net sales for the third quarter ended September 30, 2003 from 8.9% for the prior year s third quarter. For the nine months ended September 30, 2003, income from operations as a percentage of net sales increased to 10.5% from 8.0% for the comparable period in 2002. These increases were primarily due to higher income from operations as a result of the 2003 acquisitions and were partially offset by higher raw material costs in both the quarter and nine month periods ended on September 30, 2003.

Heat Treating. Net sales of $22 million for the third quarter ended September 30, 2003, was comparable to net sales of $21.4 million for the third quarter of 2002. Net sales of $65.9 million for the first nine months of 2003 increased by approximately $6.2 million, or 10.4%, from net sales of $59.7 million for the prior year s comparable period. The increase in net sales for the nine months ended September 30, 2003, was primarily due to the addition of net sales of B&W Heat Treating (acquired July 1, 2002), which contributed approximately $5.5 million in additional net sales.

Income from operations decreased to 7.8% of net sales for the third quarter ended September 30, 2003 from 11.0% for the prior year s third quarter. For the nine months ended September 30, 2003, income from operations as a percentage of net sales decreased to 10.6% from 12.9% for the comparable period in 2002. These decreases were primarily due to higher energy and workers compensation costs, as well as additional expenses related to the closing of an office location and costs associated with the start-up of a new facility in Fairfield, Ohio.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Consolidated

Net sales increased $29.1 million, or 4.7%, to $645.1 million from net sales of $616.0 million in 2001. This increase resulted primarily from increased sales resulting from increased production levels in the automotive industry and the July 1, 2002 acquisition of B&W Heat Treating.

Cost of sales increased $17.9 million, or 3.5%, to $517.8 million in 2002 from $499.9 million in 2001. Cost of sales as a percentage of net sales decreased to 80.3% in 2002 from 81.2% in 2001 primarily due to lower raw material and freight costs partially offset by increased direct labor and health care costs and general insurance expense.

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Selling, general and administrative expenses decreased $1.4 million, or 1.8%, to $77.1 million in 2002 from $78.6 million in 2001. Selling, general and administrative expenses as a percentage of net sales decreased to 12.0% for 2002 from 12.8% for 2001 primarily due to the elimination of goodwill amortization as a result of the implementation of new accounting rules in 2002, partially offset by increased incentive compensation. Additionally, in 2001 we had a non-cash charge of $1.0 million relating to our E-Commerce investment.

Interest expense decreased $6.0 million primarily due to lower average borrowings during 2002 due to the use of proceeds from the Company s stock offering in mid-March 2002 and lower interest rates.

As a result of the above, income before taxes increased $18.7 million, or 88%, to $39.8 million in 2002 from $21.1 million in 2001.

Income taxes approximated $15.9 million in 2002, based on a 40% effective rate compared with a 40.5% effective rate in 2001.

Segment Information

Processed Steel Products. Net sales increased $20.4 million, or 8.1%, to $272.8 million in 2002, from net sales of $252.4 million in 2001. This increase was due primarily to increased sales resulting from increased production levels in the automotive industry in 2002.

Income from operations increased 12.6% to $32.8 million in 2002 from $29.2 million in 2001. Operating margin increased to 12.0% of net sales from 11.6% in 2001, primarily due to lower raw material and freight costs, partially offset by increased direct labor costs and incentive-based compensation.

Building Products. Net sales for 2002 of $292.2 million were comparable to net sales of $292.4 million for 2001. Weaker demand due to general economic conditions in this segment s industry early in the year were offset by an improvement in these conditions during the third and fourth quarters, especially through sales to major retail outlets.

Income from operations increased 17.4% to $21.3 million in 2002 from $18.2 million in 2001. Operating margin improved to 7.2% compared to 6.2% in 2001 primarily due to lower raw material costs, partially offset by increased health care costs, general insurance expense and incentive-based compensation.

Heat Treating. Net sales increased $9.0 million, or 12.6%, to $80.2 million in 2002 from net sales of $71.2 million in 2001. This increase was due primarily to the July 1, 2002 acquisition of B&W Heat Treating and increased sales resulting from increased production levels in the automotive industry.

Income from operations increased 12.6% to $9.9 million in 2002 from $8.8 million in 2001. Operating margin as a percentage of net sales of 12.4% for 2002 was comparable to 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Consolidated

Net sales decreased $61.5 million, or 9.1%, to $616.0 million in 2001 from net sales of $677.5 million in 2000. This decrease resulted primarily from changes in the general economy, particularly reduced production levels in the automotive industry, offset by including the net sales of Pennsylvania Industrial Heat Treating, Inc. (acquired February 13, 2001) and a full year s net sales of Milcor (acquired July 17, 2000).

Cost of sales decreased $41.8 million, or 7.7%, to $499.9 million in 2001 from $541.7 million in 2000. Cost of sales as a percentage of net sales increased to 81.2% in 2001 from 80.0% in 2000 primarily due to higher

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transportation, health insurance, utility, labor costs and fixed costs as a percentage of net sales due to lower sales volume in 2001 compared to 2000, partially offset by lower raw material costs in 2001.

Selling, general and administrative expenses increased $2.7 million, or 3.5%, to $78.6 million in 2001 from $75.9 million in 2000. Selling, general and administrative expenses as a percentage of net sales increased to 12.8% in 2001 from 11.2% in 2000 primarily due to the non-cash charge of $1.0 million relating to the Company s E-Commerce investment and costs from the acquisition of Pennsylvania Industrial Heat Treating and Milcor, which have higher selling, general and administrative costs as a percentage of net sales than our existing operations, offset by decreases in incentive-based compensation.

Interest expense decreased $2.5 million from 2000 to 2001 due to reduced interest rates and decreased average borrowings in 2001.

As a result of the above, income before taxes decreased $19.9 million, or 48.6%, to $21.0 million in 2001 from $40.9 million in 2000.

Income taxes approximated $8.5 million in 2001, based on a 40.5% effective rate.

Segment Information

Processed Steel Products. Net sales decreased $69.0 million, or 21.5%, to $252.4 million in 2001, from net sales of $321.4 million in 2000. This decrease was primarily due to reduced production levels in the automotive industry.

Income from operations decreased 25.5% to $29.2 million in 2001 from $39.1 million in 2000. Operating margin decreased to 11.6% of net sales in 2001 from 12.2% in 2000, primarily due to higher health insurance, labor and utility costs as a percentage of net sales, partially offset by lower raw material costs and decreases in incentive-based compensation.

Building Products. Net sales increased $14.8 million, or 5.3%, to $292.5 million in 2001 from $277.7 million in 2000. This increase was primarily due to including the full year s net sales of Milcor, partially offset by a decrease in net sales of existing operations due to changes in the general economy.

Income from operations decreased 19.2% to $18.2 million in 2001 from $22.5 million in 2000. Operating margin decreased to 6.2% of net sales in 2001 from 8.1% in 2000, primarily due to higher costs as a percentage of net sales from the Milcor acquisition and higher material, transportation, health insurance and utility costs as a percentage of net sales at existing operations.

Heat Treating. Net sales decreased $7.3 million, or 9.3%, to $71.2 million in 2001 from $78.5 million in 2000. This decrease was primarily due to changes in the general economy, particularly reduced production levels in the automotive industry partially offset by including the net sales of Pennsylvania Industrial Heat Treating.

Income from operations decreased 32.6% to $8.8 million in 2001 from $13.1 million in 2000. Operating margin decreased to 12.4% of net sales in 2001 from 16.6% in 2000, primarily due to higher health insurance and utility costs as a percentage of net sales at existing operations, partially offset by decreases in incentive-based compensation and by lower costs as a percentage of net sales from the Pennsylvania Industrial Heat Treating acquisition.

Liquidity and Capital Resources

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

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Our shareholders equity increased by approximately $74.8 million, or 34%, to $293.1 million, at December 31, 2002. This increase was primarily due to the receipt of $50.7 million in net proceeds from our stock offering in March 2002, as well as net income of $23.9 million. During the first nine months of 2003, our shareholders equity increased by approximately $24.9 million, or 8.5%, to $318 million. This increase was due primarily to net income of $21.1 million, including earnings from our 2003 acquisitions, and proceeds from the exercise of stock options which aggregated $3.1 million.

Our working capital increased by $33.2 million, or 32%, to approximately $138.2 million at December 31, 2002. The increase in working capital during this period was primarily the result of increases in accounts receivable due to higher sales levels in the fourth quarter of 2002 as compared to the fourth quarter of 2001, as well as increases in the inventories as a result of increased demand in 2002 from both new and existing customers. During the nine month period ended September 30, 2003, our working capital increased by $1.8 million, or 1.3%, to approximately $140 million. The increase in working capital was the result of increases in accounts receivable and inventories primarily due to the acquisitions of Construction Metals and Air Vent.

On April 1, 2003, we purchased all the outstanding capital stock of Construction Metals and on May 1, 2003, we purchased all the outstanding capital stock of Air Vent. We paid approximately $147 million for both acquisitions, comprised of $87.2 million in cash and $59.8 million in unsecured subordinated debt payable to the former owners of the acquired companies over three to six years at an annual interest rate of 5.0%.

Our primary sources of liquidity are cash provided by operating activities and our revolving credit facility. Net cash provided by operating activities primarily represents net income plus non-cash charges for depreciation and amortization and changes in working capital positions. Net cash provided by operating activities for 2000, 2001, 2002 and the nine months ended September 30, 2003 was $34.1 million, $75.8 million, $12.2 million and $41.9 million, respectively.

Net cash used in investing activities for 2000, 2001, 2002 and the nine months ended September 30, 2003 was $54.7 million, $24.7 million, $22.7 million and $100.4 million, respectively. A significant portion of the net cash used in investment activities represents capital expenditures and our acquisitions of Milcor in 2000, Pennsylvania Industrial Heat Treating in 2001, B&W Heat Treating in 2002 and Construction Metals and Air Vent in 2003.

In April 2003, we amended our credit facility, which expires in June 2007 to increase the aggregate borrowing limit under our revolving credit line to $290 million. Borrowings thereunder are secured with our accounts receivable, inventories and personal property and equipment. At September 30, 2003, $180 million was outstanding under our credit facility. At September 30, 2003, we had interest rate swap agreements outstanding which effectively converted $50 million of borrowings under our revolving credit agreement to fixed rates ranging from 7.72%, to 8.43%. We account for interest rate swap agreements on an accrual basis. Additional borrowings under the revolving credit facility carry interest at LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 3.51% at September 30, 2003.

Our credit facility contains the following financial covenants calculated using the results of the most recent four fiscal quarters: an interest coverage ratio of at least 3.00 to 1.00; senior funded debt to EBITDA ratio not to exceed 3.25 to 1.00; and total net debt to EBITDA ratio not to exceed 3.75 to 1.00. In addition there is a net worth covenant calculated as of the last day of any fiscal quarter requiring net worth of at least $236.5 million plus 50% of net income subsequent to September 30, 2003. At September 30, 2003 we were in compliance with all covenants.

In 2002, we entered into a $50 million private placement of debt with The Prudential Insurance Company of America, which consists of a $25 million senior secured note bearing interest at 7.35% annually, due on July 3, 2007 and a $25 million senior subordinated note, bearing interest at 8.98% annually, due on January 3, 2008. At September 30, 2003, the total principal balance of the private placement debt aggregated $50 million, none of which is due within the next twelve months.

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We intend to use the net proceeds of this offering to repay a portion of outstanding borrowings under our credit facility. See Use of Proceeds. Upon consummation of this offering and application of the net proceeds therefrom, aggregate borrowings outstanding under the credit facility will be approximately $110.0 million. We anticipate that we will be able to satisfy such obligations out of funds generated from operations.

The availability under our credit facility after application of the net proceeds of this offering will be approximately $180.0 million. We believe that this availability, together with funds generated from operations, will be sufficient to provide us with the liquidity and capital resources necessary to fund our anticipated working capital requirements for at least the next twelve months. In addition, we believe that we will have the financial capability to incur additional long-term indebtedness in connection with our internal and external expansion strategies.

Seasonality

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

Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to various market risk factors, including changes in general economic conditions, competition and raw materials pricing and availability. In addition, we are exposed to market risk, primarily related to our long-term debt. To manage interest rate risk, we use fixed and variable rate debt. We also enter into interest rate swap agreements that convert our variable rate debt to fixed rate debt. At September 30, 2003, we had $50 million of revolving credit borrowings that was fixed rate debt pursuant to these agreements.

The following table summarizes the principal cash flows and related interest rates of our long-term debt at September 30, 2003 by expected maturity dates. The weighted average interest rates are based on the actual rates that existed at September 30, 2003. The variable rate debt consists primarily of the credit facility, of which $179.9 million is outstanding at September 30, 2003. A 1% increase or decrease in interest rates would change the 2003 interest expense by approximately $1.8 million.

	2003	2004	2005	2006	2007	2008 and After	Total
				(dollars in thousands)			
Long term debt (fixed)	$	$ 14,348	$ 14,292	$ 14,292	$ 33,459	$ 33,459	$ 109,850
Weighted average interest rate	6.44%	6.66%	6.95%	7.36%	7.97%	7.97%	
Long-term debt (variable)	$	$ 500	$ 400	$ 200	$ 180,136	$ 1,100	$ 182,336
Weighted average interest rate	4.82%	4.82%	4.82%	4.82%	3.94%	3.94%	
Interest rate swaps (notional amounts)	$ 50,000	$ 20,000					
Interest pay rate	8.24%	7.96%					
Interest receive rate	1.11%	1.11%					

The fair value of long-term debt was $293.6 million at September 30, 2003.

Reconciliation of EBITDA to Net Cash Provided by Operating Activities

EBITDA is defined as the sum of income before income taxes, interest expense, depreciation expense and amortization expense (including goodwill prior to the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142) which became effective January 1, 2002). EBITDA is commonly used by management and some investors as an analytical indicator and also serves as a measure of leverage capacity and debt servicing ability. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States of America and may not be comparable to similarly titled measures reported by other companies. The items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be considered in isolation or as an alternative to such GAAP measures as net income, income from operations, cash flows generated by operating, investing or financing activities or other financial statement data presented in our consolidated financial statements as an indicator of financial performance or liquidity. The following schedule reconciles EBITDA to net cash provided by operating activities as reported in our consolidated statements of cash flows, which we believe is the most directly comparable GAAP measure:

	Year ended December 31,				
	1998	1999	2000	2001	2002
			(in thousands)		
Net cash provided by operating activities	$13,313	$60,669	$34,120	$75,817	$12,205
Provision for deferred income taxes	(1,693)	(2,383)	(5,252)	(4,545)	(5,800)
Undistributed equity investment income	284	466	253	(547)	(340)
Other non cash adjustments	(304)	(697)	(116)	(157)	(616)
Changes in assets and liabilities	21,573	(15,595)	16,548	(34,549)	38,886
Provision for income taxes	13,226	17,022	16,585	8,530	15,903
Interest expense	11,389	13,439	18,942	16,446	10,403
EBITDA	$57,788	$72,921	$81,080	$60,995	$70,641

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.

A summary of significant accounting policies used in the preparation of the consolidated financial statements are described in Note 1 in our Annual Report on Form 10-K which is incorporated herein by reference.

Our most critical accounting policies include: valuation of accounts receivable, which impacts general and administrative expense; valuation of inventory, which impacts cost of sales and gross margin and the assessment of recoverability of goodwill and other intangible and long-lived assets, which impacts impairments of goodwill, intangibles and long-lived assets. Management reviews the estimates, including, but not limited to, the allowance for doubtful accounts and inventory reserves on a regular basis and makes adjustments based on historical experiences, current conditions and future expectations. The reviews are performed regularly and adjustments are made as required by current available information. We believe these estimates are reasonable, but actual results could differ from these estimates.

Our accounts receivable represent those amounts which have been billed to our customers but not yet collected. We analyze various factors including historical experience, credit worthiness of customers and current market and economic conditions. The allowance for doubtful accounts balance is established based on the portion of those accounts receivable which are deemed to be potentially uncollectible. Changes in judgments on these factors could impact the timing of costs recognized.

We state our inventories at lower of cost or market. The cost basis of our inventory is determined on a first-in-first-out basis using either actual costs or a standard cost methodology which approximates actual cost.

Intangible assets with estimable useful lives (which consist of non-competition agreements) are amortized to their residual values over those estimated useful lives in proportion to the economic benefit consumed.

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Long-lived assets with estimated useful lives are depreciated to their residual values over those useful lives in proportion to the economic value consumed. Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable and exceeds its fair market value. This circumstance exists if the carrying amount of the asset in question exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. The impairment loss would be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value as determined by discounted cash flow method or in the case of negative cash flow, an independent market appraisal of the asset.

Goodwill is tested annually, or sooner if indicators of impairment exist, for impairment at the reporting unit level by comparing the fair value of the reporting unit with its carrying value. A reporting unit is either the same as, or one level below, an operating segment. The primary valuation method for determining the fair value of the reporting unit is a discounted cash flows analysis. If the goodwill is indicated as being impaired (the fair value of the reporting unit is less than the carrying amount), the fair value of the reporting unit would then be allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. This implied fair value of the reporting unit goodwill would then be compared with the carrying amount of the reporting unit goodwill and, if it is less, we would then recognize an impairment loss.

The projection of future cash flows for the goodwill impairment analysis requires significant judgments and estimates with respect to future revenues related to the assets and the future cash outlays related to those revenues. Actual revenues and related cash flows or changes in anticipated revenues and related cash flows could result in changes in this assessment and result in an impairment charge. The use of different assumptions, including cash flows and discount rates, could increase or decrease the related impairment charge.

Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations.* SFAS 143 requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred. The adoption of SFAS 143 did not have a material impact on our results of operations.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Exit or Disposal Activities.* SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS 146 are effective for exit or disposal activities that were initiated after December 31, 2002 and did not have a material impact on our financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* FIN 45 requires the fair-value measurement and recognition of a liability for the issuance of certain guarantees issued or modified on January 1, 2003 or after. Implementation of the fair-value measurement and recognition provisions of FIN 45 did not have a material impact on our financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure, an Amendment of SFAS No. 123*. SFAS 148 amends SFAS 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in the financial statements regarding the effects of stock-based compensation. SFAS 148 is effective for financial statements for fiscal years ending after December 15, 2002, including certain amendments to required disclosures related to stock-based compensation included in condensed financial statements for interim periods beginning after December 15, 2002. Adoption of SFAS 148 did not have a material impact on our financial position, results of operations or cash flows. For further discussion of our stock-based compensation arrangements, see related footnotes disclosures in our consolidated financial statements.

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In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*. This interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* addresses consolidation of variable interest entities. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary if the entity does not effectively disperse risks among the parties involved. The provisions of FIN 46 are effective immediately for those variable interest entities created after January 31, 2003. The provisions are effective for financial statements issued for the first interim or annual period ending after December 15, 2003 for those variable interests held prior to February 1, 2003. The adoption of this Interpretation did not have a material effect on our financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS 149 clarifies the accounting for derivatives, amending the previously issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative, amends the definition of any underlying contract, and clarifies when a derivative contains a financing components in order to increase the comparability of accounting practices under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 did not have a material impact on our consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.* SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 applies specifically to a number of financial instruments that companies have historically presented within their financial statements either as equity or between the liabilities section and the equity section, rather than as liabilities. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Implementation of SFAS 150 did not have a material impact on our consolidated financial statements.

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BUSINESS

General

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

We classify our operations into three operating segments Processed Steel Products, Building Products and Heat Treating. Our Processed Steel Products segment produces a wide variety of cold-rolled strip steel products, coated sheet steel products and strapping products in 16 facilities in 7 states and Mexico. Our processed cold-rolled strip steel products comprise a part of the cold-rolled sheet steel market that is defined by more precise widths, improved surface conditions, more diverse chemistry and tighter gauge tolerances than are supplied by primary manufacturers of flat-rolled steel products. Our cold-rolled strip steel products are sold to manufacturers in the automotive, automotive supply, power and hand tool and hardware industries, as well as to other customers who demand critical specifications in their raw material needs. Our coated sheet steel products, which include galvanized, galvalume and pre-painted sheet products, are sold primarily to the commercial and residential metal building industry for roofing and siding applications. Our heavy duty steel strapping products are used to close and reinforce packages such as cartons and crates for shipping.

Our Building Products segment, comprised of 36 facilities in 21 states, primarily includes the processing of sheet steel to produce a wide variety of building products. Many of our building products meet and exceed increasingly stringent building codes and insurance company requirements governing both residential and commercial construction. This segment s products are sold to retail home centers, lumber and building material wholesalers, buying groups, discount stores, distributors and general contractors engaged in residential, industrial and commercial construction.

Our Heat Treating segment operates 16 facilities in 10 states and Canada. They provide a wide array of processes which refine the metallurgical properties of customer-owned metal products for a variety of consumer and industrial applications where critical performance characteristics are required.

Note 15 to our consolidated financial statements and Note 7 to our interim condensed consolidated financial statements included elsewhere in this prospectus provides information related to our business segments in accordance with accounting principles generally accepted in the United States of America. Summary information concerning our business segments for 2000, 2001, 2002 and the nine month periods ended September 30, 2002 and 2003 is set forth below.

	Year Ended December 31,			Nine Months Ended September 30,	
	2000	2001	2002	2002	2003
	(dollars in thousands)				
NET SALES					

Processed Steel Products	$ 321,361	$ 252,382	$ 272,796	$ 204,109	$ 203,371
Building Products	277,706	292,464	292,161	225,565	303,700
Heat Treating	78,473	71,182	80,157	59,719	65,900
Total	$ 677,540	$ 616,028	$ 645,114	$ 489,393	$ 572,971
INCOME FROM OPERATIONS					
Processed Steel Products	$ 39,111	$ 29,156	$ 32,843	$ 24,658	$ 19,422
Building Products	22,491	18,174	21,338	18,046	31,936
Heat Treating	13,059	8,798	9,904	7,694	6,995
Corporate	(14,769)	(18,619)	(13,925)	(10,503)	(12,894)
Total	$ 59,892	$ 37,509	$ 50,160	$ 39,895	$ 45,459

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

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

Our Opportunity

We believe we have opportunities to build on the established position we have in each of our business segments. We believe there is a continued opportunity to expand each area of our business driven by the trends in heat treating and processed steel toward consolidation and outsourcing and in building products toward consolidation and growth of the use of metal products in residential and light commercial construction. We believe the ongoing trend of increased use of metal building products will continue because of favorable environmental characteristics, stricter building codes, insurance company requirements, cost efficiency and architectural design enhancements.

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Our Competitive Strengths

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

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

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

Diversified Customers, Products and Services. As a result of our growth, we have diversified our customers, products and services. Currently we have more than 10,000 active customers across all 50 states, Canada and Mexico. We offer a wide variety of processing, including heat-treating, to customers in the automotive, steel, machinery, power and hand tool, furniture and general manufacturing industries. In fiscal year 2002, approximately one-half of our revenue came from the sale of our more than 5,000 manufactured end products to retail home centers, building material wholesalers, buying groups, discount stores, HVAC distributors and residential, industrial and commercial contractors. Our diversification reduces our dependence on any particular customer, product or service.

Our National Presence. Our 18 acquisitions have broadened our geographic coverage, giving us 68 facilities in 26 states, Canada, and Mexico, and we have operations in many of the fastest-growing regions of the country. This broad geographic coverage gives us the ability to provide national marketing and supply logistics programs, which positions us to grow our business with our key customers.

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

Efficient Inventory Purchasing and Management. Our raw material inventory consists primarily of flat-rolled steel. We purchase this inventory from numerous suppliers under short-term contracts of one year or less and, to a lesser extent, on the spot market on an as-needed basis. In 2002, we purchased $1 million or more of metals from 37 different suppliers, totaling $253 million. Our total inventory purchasing and management strategy allows us to react quickly to pricing and demand fluctuations, enabling us to manage our working capital more efficiently.

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Experienced Management Team. We have established and continue to maintain an experienced management team. The senior members of our management team have significant experience in the industries we serve. The management team has successfully guided us through various economic cycles and business environments and continues to provide us with a depth and continuity of experience. Under their leadership, we have been profitable every year since 1976. Walter T. Erazmus, the President of Gibraltar Steel, has announced his retirement effective December 31, 2003. Henning Kornbrekke has been appointed his successor. Mr. Kornbrekke has been a Vice President of the Company since joining Gibraltar in 2002, and has served as President of the Company s Building Products segment. He has manufacturing, marketing, distribution and international business experience, leading significant divisions of large organizations.

Business Strategy

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

Focus on High Value-Added, High Margin Products and Services. We concentrate on processing, manufacturing and providing high value-added products and services that typically generate high margins. This focus, together with our ability to deliver consistently reliable products and services, has significantly contributed to profitability.

Commitment to Internal Growth and Continuous Cost Reduction. We have an ongoing commitment to grow and improve the profitability of our existing operations. To achieve this goal, we seek to expand our existing product lines into new markets and related products and focus on rigorous cost containment. We have made ongoing investments in new and existing production equipment to improve yield, lower overall manufacturing costs and expand capacity. Since 1993, we have invested approximately $178 million in capital expenditures to improve our existing businesses. Additionally, we seek to reduce costs in the area of inventory management by using a proprietary inventory control system to purchase, monitor and allocate inventory throughout the entire production process.

Commitment to External Expansion. We remain committed to expansion through the acquisition of businesses immediately accretive to our earnings per share with long-term growth potential that also complement our existing businesses, expand and enhance our products and services, broaden our markets and increase our customer base. Implementing our strategy of acquiring companies to increase our business, customer and geographic diversification, since our initial public offering we have made the following 18 acquisitions for an aggregate purchase price of approximately $452 million:

Date Acquired	Company	Business Description
May 2003	Air Vent	Manufacturer and distributor of ventilation products and accessories
April 2003	Construction Metals	Manufacturer and distributor of metal building products, including flashing and trim, ventilation products and accessories, access doors, wire mesh/galvanized hardware cloth and corner bead
July 2002	B&W Heat Treating	Provider of heat-treating processes
February 2001	Pennsylvania Industrial Heat Treating	Provider of heat-treating to parts that have been manufactured using powdered metallurgy
July 2000	Milcor	Manufacturer of metal building products, including registers, vents, bath cabinets, access doors, roof hatches and telescoping doors
December 1999	Hughes Manufacturing	Provider of steel lumber connectors and other building products

November 1999	Brazing Concepts	Provider of heat-treating processes

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Date Acquired	Company	Business Description
August 1999	Hi-Temp	Provider of heat-treating processes
July 1999	Weather Guard	Manufacturer and distributor of metal building products, including rain-carrying systems (gutters and gutter accessories), metal roofing and roofing accessories and assorted other products such as soffit and fascia
April 1999	Southeastern Heat Treating	Provider of heat-treating processes
October 1998	Harbor Metal Treating	Provider of heat-treating processes
June 1998	United Steel Products	Manufacturer of steel lumber connectors and other building products
April 1998	Appleton Supply	Manufacturer of metal building products, including roof edging and flashing
March 1998	The Solar Group	Manufacturer of metal building products, including ventilation products and accessories and a complete line of mailboxes
May 1997	Specialty Heat Treating	Provider of heat-treating processes
January 1997	Southeastern Metals Manufacturing	Manufacturer of galvanized steel, aluminum and copper products, including metal roofing and storm panel systems
February 1996	Carolina Commercial Heat Treating	Provider of heat-treating processes
April 1995	Hubbell Steel	Processor and supplier of galvanized, galvalume and pre-painted steel products

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

Products and Services

Processed Steel Products

Cold-rolled Strip Steel. Our cold-rolled strip steel is used in applications which demand more precise widths, improved surface conditions and tighter gauge tolerances than are supplied by primary producers of flat-rolled steel products. Consistent with our strategy of focusing on high value-added products and services, we produce a broad range of fully processed cold-rolled strip steel products. We buy wide, open tolerance sheet steel in coils from primary steel producers and process it to customer specifications by performing such computer-aided processes as cold reduction, annealing, edge rolling and slitting. Cold reduction is the rolling of steel to a specified thickness, temper and finish. Annealing is a thermal process which changes hardness and certain metallurgical characteristics of steel. Edge rolling involves conditioning edges of processed steel into square, full

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round or partially round shapes. Slitting is the cutting of steel to specified widths. Depending on customer specifications, one or more of these processes are utilized to produce strip steel of a precise grade, temper, tolerance and finish. Customers for our strip steel products include manufacturers in the automotive, automotive supply, power and hand tool, hardware and other industries.

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

Our rolling facilities are further complemented by 17 high convection annealing furnaces, which allow for shorter annealing times than conventional annealers. Fourteen of our furnaces and bases employ state-of-the-art technology, incorporating the use of a hydrogen atmosphere for the production of cleaner and more uniform steel. As a result of our annealing capabilities, we are able to produce cold-rolled strip with improved consistency in terms of thickness, hardness, molecular grain structure and surface.

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

Cold-rolled Strip Steel Joint Venture. We have a 50% interest in a joint venture that has one facility in Pennsylvania, where it manufactures and distributes cold-rolled strip steel products.

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

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

Materials Management. We operate two state-of-the-art materials management facilities in New York and Michigan that link primary steel producers and end-user manufacturers by integrating the inventory purchasing, receiving, inspection, billing, storage and shipping functions and producing true just-in-time delivery of materials. Our facilities receive shipments of steel by rail and truck from primary steel producers, which retain ownership of the steel until it is delivered to the end-user manufacturer. We inspect the steel and store it in a

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climate-controlled environment. When an order is placed, we can deliver the steel to the end-user manufacturer within one hour using trucks that have been custom designed for facilitating the loading and unloading process.

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

Building Products

Continuing our strategic objectives, we drew upon our core competencies, including purchasing, inventory management and distribution, and expanded into the value-added finished metal products business. This segment is the result of the acquisition of nine synergistic businesses over the last seven years that are primarily, but not exclusively, manufacturers of metal products used in the residential and light commercial building market. As a result, we now operate 36 facilities throughout the United States giving us a national base of operations to provide better customer support, delivery, service and quality to our growing number of regional and nationally based customers, as well as providing us with manufacturing and distribution efficiencies.

We manufacture more than 5,000 products sold to building material wholesalers, buying groups, discount and retail home centers, HVAC/roofing distributors and residential, industrial and commercial contractors. Our wide array of product offerings includes a full line of ventilation products and accessories; mailboxes, roof edging, underlayment and flashing; soffit, drywall corner bead; structural support products; coated coil stock; metal roofing and accessories, steel framing; rain-carrying systems, including gutters and accessories; bath cabinets; access doors; roof hatches and smoke vents; builders hardware, shelving and closet rods; grilles and registers; diffusers; and fasteners, each of which can be sold separately or as an integral part of a package or program sale.

We manufacture a wide range of building products. We believe this is an important factor in customers purchasing decisions, as it allows them to source a greater number of their requirements from one vendor, providing enhanced supplier consolidation.

Many of our products are used to integrate the architectural design and building process, improve the life expectancy and functionality of a structure or its components, including situations of severe weather or seismic activity, and facilitate compliance with increasingly stringent building codes and insurance company requirements. We believe the ongoing trend of the increased use of metal building products will continue because of favorable environmental characteristics, cost efficiency and architectural design enhancements.

Our building products are manufactured primarily from galvanized, galvalume and painted steel, anodized and painted aluminum, copper, brass, zinc and various plastic compounds. Our additional metal purchases, when added to our existing Processed Steel Products segment purchases, enhance our purchasing position due to the increased total volume and value added component of these purchases.

Our capabilities allow us to process the wide range of metals and plastics necessary for manufacturing our products. Our equipment includes automatic roll forming machines, stamping presses, shears, press brakes, paint lines, milling, welding, injection molding and numerous automated assembly machines. All equipment is maintained through a constant preventative maintenance program, including in-house tool and die shops, allowing the company to meet the demanding service requirements of many of its customers.

Heat Treating

Our Heat Treating segment provides a wide range of metallurgical heat-treating processes in which customer-owned metal parts are exposed to precise temperatures, atmospheres and quenchants and other conditions to improve their mechanical properties, durability and wear resistance. These processes include case-hardening, neutral-hardening and through-hardening, annealing, normalizing, vacuum hardening, carburizing, nitriding and brazing, as well as a host of other processes. These heat-treating processes can harden, soften or otherwise impart desired properties to parts made of steel, aluminum, copper, powdered metals and various alloys and other metals.

We operate 16 heat-treating facilities in Alabama, Georgia, Illinois, Indiana, Michigan, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Kitchener, Ontario. We maintain a metallurgical laboratory at each facility with trained metallurgists providing a range of testing capabilities to add value to treated parts and enhance quality control. Consistent quality control is maintained by application of a statistical process control system and either QS 9000 or ISO 9001 certification. ISO 9001 is an international quality designation. Additionally, we maintain a fleet of trucks and trailers to provide rapid turnaround time for our customers.

Due to time and costs associated with transporting materials and customers need for just-in-time delivery of heat-treated products, the commercial heat-treating industry has developed as a regional industry concentrated in major industrial areas of the country. In addition, the commercial heat-treating industry has realized significant growth in recent years as many companies involved in the manufacture of metal components outsource their heat-treating requirements. We believe that our heat-treating facilities are strategically located to meet the needs of customers from a geographically diverse base of operations and to capitalize on the growing trend in outsourcing of heat-treating operations.

Quality Control

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

Management Information Systems and Inventory Management

We operate various data processing systems to purchase, monitor and allocate inventory throughout our production facilities, enabling us to effectively manage inventory costs and consistently achieve a high annual inventory turnover rate. For the year ended December 31, 2002, our inventory turned 5.2 times.

We use a computerized order entry system that enables customers to link their computer system to ours for direct electronic communication with respect to order entry, inventory status, work-in-process status, billing and payment. This service is designed to improve productivity for both customers and us. A number of key customers have taken advantage of this service, and we believe the availability of this service is becoming an important consideration in customers purchasing decisions.

In addition, we have linked some of our production equipment to our computer systems to allow for the gathering of production data as orders are processed. This information is stored in a database to be used as a basis for preparing cost estimates for future orders. This system enhances our ability to analyze costs on an ongoing basis and allows for expeditious response time on quotation requests.

We continue to update and upgrade our proprietary and commercially available systems and computer hardware in order to maximize our efficiency and effectiveness.