

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

(Mark one)

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

For the quarterly period ended March 31, 1999

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-22462

Gibraltar Steel Corporation  
(Exact name of Registrant as specified in its charter)

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

3556 Lake Shore Road, P.O. Box 2028, Buffalo, New York 14219-0228  
(Address of principal executive offices)

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

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

As of March 31, 1999, the number of common shares outstanding was: -- 12,514,131.

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GIBRALTAR STEEL CORPORATION

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## GIBRALTAR STEEL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET  
(in thousands)

	March 31, 1999 (unaudited)	December 31, 1998 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,578	\$ 1,877
Accounts receivable	80,808	71,070
Inventories	90,971	99,351
Other current assets	3,944	3,536
Total current assets	181,301	175,834
Property, plant and equipment, net	177,575	176,221
Other assets	86,211	86,380
	\$ 445,087 =====	\$ 438,435 =====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 44,646	\$ 38,601
Accrued expenses	12,708	11,646
Current maturities of long-term debt	1,333	1,351
Total current liabilities	58,687	51,598
Long-term debt	193,558	199,395
Deferred income taxes	25,849	25,289
Other non-current liabilities	1,963	1,845
Shareholders' equity		
Preferred shares	-	-
Common shares	125	125
Additional paid-in capital	66,984	66,613
Retained earnings	97,921	93,570
Total shareholders' equity	165,030	160,308
	\$ 445,087 =====	\$ 438,435 =====

See accompanying notes to financial statements

## GIBRALTAR STEEL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(in thousands, except per share data)

	Three Months Ended March 31, 1999                      1998 (unaudited)	
Net sales	\$ 143,804	\$ 116,383
Cost of sales	115,386	96,223
Gross profit	28,418	20,160
Selling, general and administrative expense	16,735	11,686
Income from operations	11,683	8,474
Interest expense	3,319	1,606
Income before taxes	8,364	6,868
Provision for income taxes	3,387	2,747
Net income	\$ 4,977	\$ 4,121
	=====	=====
Net income per share-Basic	\$ .40	\$ .33
	=====	=====
Weighted average shares outstanding-Basic	12,496	12,410
	=====	=====
Net income per share-Diluted	\$ .39	\$ .33
	=====	=====
Weighted average shares outstanding-Diluted	12,712	12,608
	=====	=====

See accompanying notes to financial statements

## GIBRALTAR STEEL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(in thousands)

	Three Months Ended March 31, 1999                      1998 (unaudited)	
Cash flows from operating activities		
Net income	\$ 4,977	\$ 4,121
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,021	2,561
Provision for deferred income taxes	731	336
Undistributed equity investment income	(210)	(209)
Other noncash adjustments	29	-
Increase (decrease) in cash resulting from changes in (net of acquisitions):		
Accounts receivable	(9,738)	(9,723)
Inventories	8,380	(7,176)
Other current assets	(595)	(882)
Accounts payable and accrued expenses	7,226	6,709
Other assets	(250)	(222)
Net cash provided by (used in) operating activities	14,571	(4,485)
Cash flows from investing activities		
Acquisitions, net of cash acquired	-	(35,040)
Purchases of property, plant and equipment	(4,878)	(4,338)
Net proceeds from sale of property and equipment	147	65
Net cash used in investing activities	(4,731)	(39,313)
Cash flows from financing activities		
Long-term debt reduction	(19,808)	(2,101)
Proceeds from long-term debt	13,953	44,394
Payment of dividends	(626)	-
Net proceeds from issuance of common stock	342	5
Net cash (used in) provided by financing activities	(6,139)	42,298
Net increase (decrease) in cash and cash equivalents	3,701	(1,500)
Cash and cash equivalents at beginning of year	1,877	2,437
Cash and cash equivalents at end of period	\$ 5,578	\$ 937
	=====	=====

See accompanying notes to financial statements

GIBRALTAR STEEL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements as of March 31, 1999 and 1998 have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at March 31, 1999 and 1998 have been included.

Certain information and footnote disclosures including significant accounting policies normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements included in the Company's Annual Report to Shareholders for the year ended December 31, 1998.

The results of operations for the three month period ended March 31, 1999 are not necessarily indicative of the results to be expected for the full year.

2. INVENTORIES

Inventories consist of the following:

	(in thousands)	
	March 31, 1999 (unaudited)	December 31, 1998 (audited)
Raw material	\$ 55,428	\$ 60,665
Finished goods and work-in-process	35,543	38,686
Total inventories	\$ 90,971 =====	\$ 99,351 =====

### 3. STOCKHOLDERS' EQUITY

The changes in stockholders' equity consist of:

	(in thousands)			
	Common Shares	Shares Amount	Additional Paid-in Capital	Retained Earnings
December 31, 1998	12,484	\$ 125	\$ 66,613	\$ 93,570
Net Income	-	-	-	4,977
Stock options exercised	30	-	342	-
Earned portion of restricted stock	-	-	29	-
Cash dividends-\$.05 per share	-	-	-	(626)
March 31, 1999	12,514	\$ 125	\$ 66,984	\$ 97,921
	=====			

### 4. EARNINGS PER SHARE

Basic net income per share equals net income divided by the weighted average shares outstanding for the three months ended March 31, 1999 and 1998. The computation of diluted net income per share includes all dilutive common stock equivalents in the weighted average shares outstanding. The reconciliation between basic and diluted earnings per share is as follows:

	Income	Basic Shares	Basic EPS	Diluted Shares	Diluted EPS
1999	\$ 4,977,000	12,495,969	\$ .40	12,712,487	\$ .39
1998	\$ 4,121,000	12,409,776	\$ .33	12,608,138	\$ .33

Included in diluted shares are common stock equivalents relating to options of 216,518 and 198,362 for 1999 and 1998, respectively.

### 5. ACQUISITIONS

On October 1, 1998, the Company purchased all the outstanding capital stock of Harbor Metal Treating Co., Inc. and its affiliates (Harbor) for \$13.5 million in cash. Harbor provides metallurgical heat treating services in which customer-owned parts are exposed to precise temperature and other conditions to improve their material properties, strength and durability.

On June 1, 1998, the Company purchased all the outstanding common stock of United Steel Products Company (USP) for approximately \$24 million in cash. USP designs and manufactures lumber connector products for the wholesale market and plastic molded products for component manufacturers.

On April 1, 1998, the Company purchased the assets and business of Appleton Supply Co., Inc. (Appleton) for approximately \$28 million in cash. Appleton manufactures louvers, roof edging, soffitts and other metal building products for wholesale distribution.

On March 1, 1998, the Company purchased the assets and business of The Solar Group (Solar) for approximately \$35 million in cash. Solar manufactures a line of construction products as well as a complete line of mailboxes, primarily manufactured with galvanized steel.

These acquisitions have been accounted for under the purchase method. Results of operations of Harbor, USP, Appleton and Solar have been consolidated with the Company's results of operations from the respective acquisition dates. The aggregate excess of the purchase prices of these acquisitions over the fair market values of the net assets of the acquired companies is being amortized over 35 years from the acquisition dates using the straight-line method.

The following information presents the pro forma consolidated condensed results of operations as if the acquisitions had occurred on January 1, 1998. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisitions occurred as of January 1, 1998 and are not necessarily indicative of future results of the combined companies.

(in thousands, except per share data)  
 Three Months Ended  
 March 31, 1998  
 (unaudited)

Net sales	\$ 140,588 =====
Income before taxes	\$ 7,431 =====
Net income	\$ 4,410 =====
Net income per share-Basic	\$ .36 =====



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

### Results of Operations

Net sales increased \$27.4 million, or 23.6%, to \$143.8 million for the first quarter ended March 31, 1999 from \$116.4 million for the prior year's first quarter. This increase resulted from including net sales of The Solar Group (acquired March 1, 1998), Appleton Supply Company (acquired April 1, 1998), United Steel Products (acquired June 1, 1998) and Harbor Metal Treating Co. (acquired October 1, 1998) (collectively, the 1998 Acquisitions) from their respective acquisition dates with the net sales at the Company's existing operations, and from sales growth at existing operations.

Cost of sales as a percentage of net sales decreased to 80.2% from 82.7% for the prior year's first quarter. Gross profit as a percentage of net sales increased to 19.8% from 17.3% for the prior year's first quarter. This improvement was primarily due to the 1998 acquisitions, which have historically generated higher margins than the Company's existing operations, and due to lower raw material costs at existing operations.

Selling, general and administrative expenses as a percentage of net sales increased to 11.6% for the first quarter ended March 31, 1999 from 10.0% for the same period of 1998. This increase was primarily due to higher costs as a percentage of sales attributable to the 1998 Acquisitions and performance based compensation linked to the Company's sales and profitability.

Interest expense for the first quarter ended March 31, 1999 increased by \$1.7 million from the same period in 1998 primarily due to higher borrowings to finance 1998 Acquisitions and capital expenditures.

As a result of the above, income before taxes increased by \$1.5 million for the first quarter ended March 31, 1999 from the same period of 1998.

Income taxes for the first quarter ended March 31, 1999 approximated \$3.4 million and were based on a 40.5% effective tax rate compared to an effective tax rate of 40.0% for the same period in 1998.

### Liquidity and Capital Resources

During the first three months of 1999, the Company's working capital decreased slightly to \$122.6 million. Additionally, shareholders' equity increased by \$4.7 million at March 31, 1999 to \$165.0 million.

The Company's principal capital requirements are to fund its operations, including working capital, the purchase and funding of improvements to its facilities, machinery and equipment and to fund acquisitions.

Net cash provided by operations of \$14.6 million resulted primarily from net income of \$5.0 million, depreciation and amortization of \$4.0 million, an increase in accounts payable and accrued expenses of \$7.2 million and a decrease in inventory of \$8.4 million, offset by an increase in accounts receivable of \$9.7 million necessary to service increased sales levels.

The \$14.6 million of net cash provided by operations was used to fund capital expenditures of \$4.9 million and cash dividends of \$6.6 million and to pay down \$5.9 million of the Company's credit facility.

At March 31, 1999 the Company's aggregate credit facilities available approximated \$243 million, with borrowings of approximately \$194 million and an additional availability of approximately \$49 million.

The Company believes that availability of funds under its credit facilities together with cash generated from operations will be sufficient to provide the Company with the liquidity and capital resources necessary to support its existing operations.

#### Impact of Year 2000

The Year 2000 issue concerns computer hardware and software being able to distinguish between the year 1900 and the year 2000 and the resultant effect on operations.

The Company has conducted a detailed assessment of all of its information technology and non-information technology hardware and software with regard to Year 2000 issues, with special emphasis on mission critical hardware and software. The Company's plan to ensure that its systems are Year 2000 ready is comprised of: inventorying all processes and systems which may have a date-related component and identifying those which are not Year 2000 ready; remediating (i.e., correcting or replacing) those systems which are not Year 2000 ready; and testing the remediated processes and systems to insure that they will, in fact, operate as desired according to Year 2000 requirements. The Company is in various stages of its Year 2000 readiness process at each of its subsidiaries. Information technology and non-information technology hardware and software have been inventoried and those not Year 2000 ready have been identified. Mission critical processes and systems have been given priority for remediation and testing. Therefore, the Company expects to be fully Year 2000 ready with all such mission critical processes and systems by July 1999.

The following table summarizes the status as of March 31, 1999 of the Year 2000 efforts with respect to identified items that may materially impact operations.

Estimated current completion % and month of expected completion:

Area	Inventorying & Assessment		Remediation & Testing	
	% Complete	Expected Completion	% Complete	Expected Completion
IT Hardware and Software:				
Financial	100%	Complete	95%	Complete
Non-Financial	100%	Complete	60%	July 1999
Non-IT Hardware and Software	100%	Complete	85%	July 1999
Third-Party Systems*	100%	July 1999	*	*
Products	N/A	N/A	N/A	N/A

\* The Company has third party relationships with numerous large customers and vendors, including raw material suppliers and utility companies, many of which are publicly traded corporations subject to disclosure requirements. The Company continues to communicate with these third parties to assess their internal state of Year 2000 readiness and monitors Year 2000 disclosures in their SEC filings. These third party communications and disclosures are then evaluated for possible risk to, or effect on, the Company's operations and are incorporated into the Company's own detailed Year 2000 readiness assessment.

Costs specifically associated with modifying internal use software for Year 2000 readiness are expensed as incurred but have not been, and are not expected to be, material to the Company's net income. The Company has budgeted approximately \$750,000 to remediate its affected systems, of which approximately \$250,000 was expensed through March 31, 1999. Costs of replacing some of the Company's systems with Year 2000 ready systems have been capitalized as these new systems were acquired for business reasons and not to remediate Year 2000 problems, if any, in the former systems.

Based upon the results of Year 2000 readiness efforts and internal audit processes underway, the Company believes that all mission critical information and non-information technology systems and processes will allow the Company to continue operations beyond the Year 2000 without a material impact on its results of operations or financial position. However, unanticipated problems which may be identified in the ongoing Year 2000 readiness process could result in an undetermined financial risk.

A worst case scenario could include the possible shut down of an operation for a period of time. However, in that event, customer orders may be serviced through use of other Company owned facilities with similar manufacturing capabilities and inventories or, alternatively, by out-sourcing some manufacturing to third parties. The Company's Year 2000 readiness process includes contingency planning for all mission critical issues in order to minimize such a risk to the Company. Detailed contingency plans will be finalized during the third quarter of 1999, after the results of the assessment, remediation and testing have been completed.

#### Recent Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 Accounting for Derivative Instruments and Hedging Activities (FAS No. 133) which requires recognition of the fair value of derivatives in the statement of financial position, with changes in the fair value recognized either in earnings or as a component of other comprehensive income dependent upon the hedging nature of the derivative. Implementation of FAS No. 133 is required for fiscal 2000. The Company does not believe that FAS No. 133 will have a material impact on its earnings or other comprehensive income.

#### Safe Harbor Statement

The Company wishes to take advantage of the Safe Harbor provisions included in the Private Securities Litigation Reform Act of 1995 (the "Act"). Statements by the Company, other than historical information, constitute "forward looking statements" within the meaning of the Act and may be subject to a number of risk factors. Factors that could affect these statements include, but are not limited to, the following: the impact of changing steel prices on the Company's results of operations; changing demand for the Company's products and services; the impact of the Year 2000 issue; and changes in interest or tax rates.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

1. Exhibits

- a. Exhibit 10.1 - Gibraltar Steel Corporation Incentive Stock Option Plan Fourth Amendment and Restatement

2. Reports on Form 8-K. There were no reports on Form 8-K during the three months ended March 31, 1999.

SIGNATURES

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

GIBRALTAR STEEL CORPORATION  
(Registrant)

By /x/ Brian J. Lipke  
Brian J. Lipke  
President, Chief Executive Officer  
and Chairman of the Board

By /x/ Walter T. Erazmus  
Walter T. Erazmus  
Treasurer and Chief Financial Officer  
(Principal Financial and Chief  
Accounting Officer)

Date April 23, 1999



GIBRALTAR STEEL CORPORATION  
INCENTIVE  
STOCK OPTION PLAN

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Fourth Amendment and Restatement

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WHEREAS, Gibraltar Steel Corporation, a Delaware corporation with offices at 3556 Lake Shore Road, Buffalo, New York 14219 (the "Company") adopted an incentive stock option plan known as the "Gibraltar Steel Corporation Incentive Stock Option Plan (the "Plan") on September 21, 1993 to enable the Company to attract and retain highly qualified individuals as officers and key employees of the Company by providing such officers and key employees an equity based form of incentive compensation; and

WHEREAS, the Company amended the Plan effective August 9, 1994 to allow members of the Committee of Directors that administers the Plan to be eligible to receive options under the terms of other plans which, from time to time, are adopted and maintained by the Company including, but not limited to, the Gibraltar Steel Corporation Non-Qualified Stock Option Plan; and

WHEREAS, the Company amended the Plan effective February 15, 1996 to increase the total number of shares of common stock, par value \$.01 per share of the Company (hereinafter the "Common Stock") which may be issued in connection with options granted pursuant to the terms of the Plan by Two Hundred Thousand (200,000) shares; and

WHEREAS, the Company amended the Plan effective as of May 20, 1997 to permit the Executive Officers of the Company to transfer options which they have been granted or may be granted in the future to the extent that such options are not "qualified" options and to increase the number of shares of Common Stock which may be issued in connection with options granted pursuant to the terms of the Plan by Two Hundred Fifty Thousand (250,000) and to make certain other technical amendments to the terms of the Plan; and

WHEREAS, the Company now desires to amend and restate the Plan to clarify the definition of the term "Retirement Date" and to make certain other technical changes to the terms of the Plan;

NOW, THEREFORE, in consideration of the foregoing, the Company hereby adopts the following as the Fourth Amendment and Restatement of the Gibraltar Steel Corporation Incentive Stock Option Plan effective as of February 9, 1999:

1. Purpose of Plan. The Gibraltar Steel Corporation Incentive Stock Option Plan (the "Plan") is intended to provide officers and other key employees of the Company and officers and other key employees of any subsidiaries of the Company as that term is defined in Section 3 below (hereinafter individually referred to as a "Subsidiary" and collectively as "Subsidiaries") with an additional incentive for them to promote the success of the business, to increase their proprietary interest in the success of the Company and its Subsidiaries, and to encourage them to remain in the employ of the Company or its Subsidiaries. The above aims will be effectuated through the granting of certain stock options, as herein provided, which are intended to qualify as Incentive Stock Options ("ISOs") under Section 422 of the Internal Revenue Code of 1986, as the same has been and shall be amended ("Code").

2. Administration. The Plan shall be administered by a Committee (the "Committee") composed of not less than two (2) Directors of the Company who shall be appointed by and serve at the pleasure of the Board of Directors of the Company. If the Committee is composed of two (2) Directors, both members of the Committee must approve any action to be taken by the Committee in order for such action to be deemed to be an action of the Committee pursuant to the provisions of this Plan. If the Committee is composed of more than two (2) Directors, a majority of the Committee shall constitute a quorum for the conduct of its



business, and (a) the action of a majority of the Committee members present at any meeting at which a quorum is present, or (b) action taken without a meeting by the approval in writing of a majority of the Committee members, shall be deemed to be action by the Committee pursuant to the provisions of the Plan. The Committee is authorized to adopt such rules and regulations for the administration of the Plan and the conduct of its business as it may deem necessary or proper.

Any action taken or interpretation made by the Committee under any provision of the Plan or any option granted hereunder shall be in accordance with the provisions of the Code, and the regulations and rulings issued thereunder as such may be amended, promulgated, issued, renumbered or continued from time to time hereafter in order that, to the greatest extent possible, the options granted hereunder shall constitute "incentive stock options" within the meaning of the Code. All action taken pursuant to this Plan shall be lawful and with a view to obtaining for the Company and the option holder the maximum advantages under the law as then obtaining, and in the event that any dispute shall arise as to any action taken or interpretation made by the Committee under any provision of the Plan, then all doubts shall be resolved in favor of such having been done in accordance with the said Code and such revenue laws, amendments, regulations, rulings and provisions as may then be applicable. Any action taken or interpretation made by the Committee under any provision of the Plan shall be final. No member of the Board of Directors or the Committee shall be liable for any action, determination or interpretation taken or made under any provision of the Plan or otherwise if done in good faith.

3. Participation. The Committee shall determine from among the officers and key employees of the Company and its Subsidiaries (as such term is defined in Section 424 of the Code) those individuals to whom options shall be granted (sometimes hereinafter referred to as "Optionees"), the terms and provisions of the options granted (which need not be identical), the time or times at which options shall be granted and the number of shares of Common Stock, (or such number of shares of stock in which the Common Stock may at any time hereafter be constituted), for which options are granted.

In selecting Optionees and in determining the number of shares for which options are granted, the Committee may weigh and consider the following factors: the office or position of the Optionee and his degree of responsibility for the growth and success of the Company and its Subsidiaries, length of service, remuneration, promotions, age and potential. The foregoing factors shall not be considered to be exclusive or obligatory upon the Committee, and the Committee may properly consider any other factors which to it seems appropriate. The terms and conditions of any option granted by the Committee under this Plan shall be contained in a written statement which shall be delivered by the Committee to the Optionee as soon as practicable following the Committee's establishment of the terms and conditions of such option.

An Optionee who has been granted an option under the Plan may be granted additional options under the Plan if the Committee shall so determine.

Notwithstanding the foregoing, if at the time an option is granted to an individual under this Plan, the individual owns stock of the Company possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, (or if such individual would be deemed to own such percentage of such stock under Section 424(d) of the Code) such option shall continue to be valid and binding upon the Company according to its terms but shall not be deemed to be an "incentive stock option" as defined in Section 422(b) of the Code unless: (a) the price per share at which common stock of the Company may be acquired in connection with the exercise of such options is not less than one hundred ten percent (110%) of the fair market value of such common stock, determined as of the date of the grant of such options; and (b) the period of time within which such options must be exercised does not exceed five (5) years from the date on which such options are granted. In addition, in no event shall any options be granted under this Plan at any time after the termination date set forth at the end of this Plan.

4. Shares Subject to the Plan. The Company is authorized to issue options under this Plan for the purchase of the number of shares of Common Stock described in the following provisions of this Section 4. On September 21, 1993 (the date on which this Plan became effective), the aggregate number of shares of Common Stock which were reserved for issuance pursuant to options which were permitted to be granted hereunder was Four Hundred Thousand (400,000) shares (subject to the anti-dilutive adjustments provided for by Section 5 hereof). Effective February 15, 1996, in addition to the number of shares of Common Stock reserved for issuance pursuant to options which were permitted to be granted as of February 14, 1996, an additional Two Hundred Thousand (200,000) shares of Common Stock were reserved for issuance pursuant to options which may be granted hereunder. Effective May 20, 1997, in addition to the number of shares of Common Stock reserved for issuance pursuant to options which were permitted to be granted as of May 19, 1997, an additional Two Hundred Fifty Thousand (250,000) shares of Common Stock shall be reserved for issuance pursuant to options which may be granted hereunder. Accordingly, the total number of shares of Common Stock which may be issued pursuant to the exercise of options which may be granted under the terms of this Plan shall be equal to the sum of: (a) Four Hundred Thousand (400,000) shares (subject to anti-dilutive adjustments made at any time after September 21, 1993 pursuant to Section 5 hereof); (b) Two Hundred Thousand (200,000) shares (subject to anti-dilutive adjustments made at any time after February 15, 1996 pursuant to Section 5 hereof); and (c) Two Hundred Fifty Thousand (250,000) shares (subject to anti-dilutive adjustments made at any time after May 20, 1997 pursuant to Section 5 hereof).

With respect to shares which may be acquired pursuant to options which expire or terminate pursuant to the provisions of this Plan without having been exercised in full, such shares shall be considered to be available again for placement under options granted thereafter under the Plan. Shares issued pursuant to the exercise of incentive stock options granted under the Plan shall be fully paid and non-assessable.

5. Anti-Dilution Provisions. The aggregate number of shares of Common Stock and the class of such shares as to which options may be granted under the Plan, the number and class of such shares subject to each outstanding option, the price per share thereof (but not the total price), and the number of such shares as to which an option may be exercised at any one time, shall all be adjusted proportionately in the event of any change, increase or decrease in the outstanding shares of Common Stock of the Company or any change in classification of its Common Stock without receipt of consideration by the Company which results either from a split-up, reverse split or consolidation of shares, payment of a stock dividend, recapitalization, reclassification or other like capital adjustment so that upon exercise of the option, the Optionee shall receive the number and class of shares that he would have received had he been the holder of the number of shares of Common Stock for which the option is being exercised immediately preceding such change, increase or decrease in the outstanding shares of Common Stock. Any such adjustment made by the Committee shall be final and binding upon all Optionees, the Company, and all other interested persons. Any adjustment of an incentive stock option under this paragraph shall be made in such manner as not to constitute a "modification" within the meaning of Section 424(h)(3) of the Code.

Anything in this Section 5 to the contrary notwithstanding, no fractional shares or scrip representative of fractional shares shall be issued upon the exercise of any option. Any fractional share interest resulting from any change, increase or decrease in the outstanding shares of Common Stock or resulting from any reorganization, merger, or consolidation for which adjustment is provided in this Section 5 shall disappear and be absorbed into the next lowest number of whole shares, and the Company shall not be liable for any payment for such fractional share interest to the Optionee upon his exercise of the option.

6. Option Price. The purchase price for each share of Common Stock which may be acquired upon the exercise of each option issued under the Plan shall be determined by the Committee at the time the option is granted, but in no event shall such purchase price be less than one hundred percent (100%) of the

fair market value of the Common Stock on the date of the grant. Notwithstanding the foregoing, in the case of an individual that owns stock of the Company possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries (or if such individual would be deemed to own such percentage of such stock under Section 424(d) of the Code), (any such individual being hereinafter referred to as a "Ten Percent Shareholder") in no event shall the purchase price for each share of Common Stock which may be acquired upon the exercise of each option issued to such Ten Percent Shareholder be less than one hundred ten percent (110%) of the fair market value of the Common Stock on the date of the grant. If the Common Stock is listed upon an established stock exchange or exchanges on the day the option is granted, such fair market value shall be deemed to be the highest closing price of the Common Stock on such stock exchange or exchanges on the day the option is granted, or if no sale of the Company's Common Stock shall have been made on any stock exchange on that day, on the next preceding day on which there was a sale of such stock.

If the Common Stock is listed in the NASDAQ National Market System, the fair market value of the Common Stock shall be the average of the high and low closing sale prices in the NASDAQ National Market System on the day the option is granted, or if no sale of the Common Stock shall have been made on the NASDAQ National Market System on that day, on the next preceding day on which there was a sale of such stock.

7. Option Exercise Periods. The time within which any option granted hereunder may be exercised shall be, by its terms, not earlier than one (1) year from the date such option is granted and not later than ten (10) years from the date such option is granted; provided that, in the case of any options granted to a Ten Percent Shareholder, the time within which any option granted to such Ten Percent Shareholder may be exercised shall be, by its terms, not earlier than one (1) year from the date such option is granted and not later than five (5) years from the date such option is granted. Subject to the provisions of Section 10 hereof, the Optionee must remain in the continuous employment of the Company or any of its Subsidiaries from the date of the grant of the option to and including the date of exercise of option in order to be entitled to exercise his option. Options granted hereunder shall be exercisable in such installments and at such dates as the Committee may specify. In addition, with respect to all options granted under this Plan, unless the Committee shall specify otherwise, the right of each Optionee to exercise his option shall accrue, on a cumulative basis, as follows:

(a) one-fourth (1/4) of the total number of shares of Common Stock which could be purchased (subject to adjustment as provided in Section 5 hereof) (such number being hereinafter referred to as the "Optioned Shares") shall become available for purchase pursuant to the option at the end of the one (1) year period beginning on the date of the option grant;

(b) one-fourth (1/4) of the Optioned Shares shall become available for purchase pursuant to the option at the end of the two (2) year period beginning on the date of the option grant;

(c) one-fourth (1/4) of the Optioned Shares shall become available for purchase pursuant to the option at the end of the three (3) year period beginning on the date of the option grant; and

(d) one-fourth (1/4) of the Optioned Shares shall become available for purchase pursuant to the option at the end of the four (4) year period beginning on the date of the option grant.

Continuous employment shall not be deemed to be interrupted by transfers between the Subsidiaries or between the Company and any Subsidiary, whether or not elected by termination from any Subsidiary of the Company and re-employment by any other Subsidiary or the Company. Time of employment with the Company shall be considered to be one employment for the purposes of this Plan, provided there is no intervening employment by a third party or no interval between employments which, in the opinion of the Committee, is deemed to break continuity of service. The Committee shall, at its discretion, determine the effect of

approved leaves of absence and all other matters having to do with "continuous employment". Where an Optionee dies while employed by the Company or any of its Subsidiaries, his options may be exercised following his death in accordance with the provisions of Section 10 below.

Notwithstanding the foregoing provisions of this Section 7, in the event the Company or the stockholders of the Company enter into an agreement to dispose of all or substantially all of the assets or stock of the Company by means of a sale, merger, consolidation, reorganization, liquidation, or otherwise, or in the event a Change of Control (as hereinafter defined) shall occur, an option shall become immediately exercisable with respect to the full number of shares subject to that option during the period commencing as of the date of execution of such agreement and ending as of the earlier of: (i) ten (10) years from the date such option was granted; or (ii) ninety (90) days following the date on which a Change in Control occurs or the disposition of assets or stock contemplated by the agreement is consummated. Ninety (90) days following the consummation of any such disposition of assets or stock, or Change in Control, this Plan and any unexercised options issued hereunder (or any unexercised portion thereof) shall terminate and cease to be effective, unless provision is made in connection with such transaction for assumption of options previously granted or the substitution for such options of new options covering the securities of a successor corporation or an affiliate thereof, with appropriate adjustments as to the number and kind of securities and prices.

For purposes of this Plan, a "Change in Control" shall be deemed to have occurred if:

(a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than thirty percent (30%) of the then outstanding voting stock of the Company, otherwise than through a transaction arranged by, or consummated with the prior approval of its Board of Directors; or

(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company (and any new director whose election to the Board of Directors or whose nomination for election by the Company's stockholders was approved by a vote of at least two thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) (the "Continuing Directors") cease for any reason to constitute a majority thereof; or

(c) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation (provided, however, that if prior to the merger or consolidation, the Board of Directors of the Company adopts a resolution that is approved by a majority of the Continuing Directors providing that such merger or consolidation shall not constitute a "Change in Control" for purposes of the Plan, then such a merger or consolidation shall not constitute a "Change in Control"); or

(d) the stockholders of the Company approve an agreement for the sale or disposition by the Company of all or substantially all the assets of the Company.

Any change or adjustment made pursuant to the terms of this paragraph shall be made in such a manner so as not to constitute a "modification" as defined in Section 424 of the Code, and so as not to cause any incentive stock option issued under this Plan to fail to continue to qualify as an incentive stock option as defined in Section 422(b) of the Code. Notwithstanding the foregoing, in the event that any agreement providing for the sale or other disposition of all or substantially all the stock or assets of the Company shall be

terminated without consummating the disposition of said stock or assets, any unexercised unaccrued installments that had become exercisable solely by reason of the provisions of this paragraph shall again become unaccrued and unexercisable as of said termination of such agreement; subject, however, to such installments accruing pursuant to the normal accrual schedule provided in the terms under which such option was granted. Any exercise of an installment prior to said termination of said agreement shall remain effective despite the fact that such installment became exercisable solely by reason of the Company or its stockholders entering into said agreement to dispose of the stock or assets of the Company.

8. Exercise of Option. Options shall be exercised as follows:

(a) Notice and Payment. Each option, or any installment thereof, shall be exercised, whether in whole or in part, by giving written notice to the Company at its principal office, specifying the options being exercised (by reference to the date of the grant of the option), the number of shares to be purchased and the purchase price being paid, and shall be accompanied by the payment of all or such part of the purchase price as shall be required to be paid in connection with the exercise of such option as specified in the written notice of exercise of the option, by cash, certified or bank check payable to the order of the Company. Each such notice shall contain representations on behalf of the Optionee that he acknowledges that the Company is selling the shares being acquired by him under a claim of exemption from registration under the Securities Act of 1933 as amended (the "Act"), as a transaction not involving any public offering; that he represents and warrants that he is acquiring such shares with a view to "investment" and not with a view to distribution or resale; and that he agrees not to transfer, encumber or dispose of the shares unless: (i) a registration statement with respect to the shares shall be effective under the Act, together with proof satisfactory to the Company that there has been compliance with applicable state law; or (ii) the Company shall have received an opinion of counsel in form and content satisfactory to the Company to the effect that the transfer qualifies under Rule 144 or some other disclosure exemption from registration and that no violation of the Act or applicable state laws will be involved in such transfer, and/or such other documentation in connection therewith as the Company's counsel may in its sole discretion require.

(b) Issuance of Certificates. Certificates representing the shares purchased by the Optionee shall be issued as soon as practicable after the Optionee has complied with the provisions of Section 8(a) hereof.

(c) Rights as a Stockholder. The Optionee shall have no rights as a stockholder with respect to the shares of Common Stock purchased until the date of the issuance to him of a certificate representing such shares.

9. Assignment of Option. (a) Subject to the provisions of Sections 9(b) and 10(c) hereof, options granted under this Plan may not be assigned voluntarily or involuntarily or by operation of law and any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of, or to subject to execution, attachment or similar process, any incentive stock option, or any right thereunder, contrary to the provisions hereof shall be void and ineffective, shall give no right to the purported transferee, and shall, at the sole discretion of the Committee, result in forfeiture of the option with respect to the shares involved in such attempt.

(b) Notwithstanding anything to the contrary contained in the terms of the Plan as in effect at any time prior to the date hereof and notwithstanding anything to the contrary contained in the terms of any statement, letter or other document or agreement setting forth the terms and conditions of any options previously issued pursuant to the terms of this Plan, any and all Non-Qualified Options (as defined in Section 13 hereof) previously issued to any officer of the Company (as defined in Rule 16A-a(f) issued under the Securities and Exchange Act of 1934 (hereinafter an "Executive Officer")) pursuant to the terms of the Plan and, subject to the approval of the Committee, any Non-Qualified Options which may be granted or issued to any Executive Officer of the Company at any time in the future

pursuant to the terms of the Plan shall be transferable by the Executive Officer to whom such Non-Qualified Options have been or are granted to: (i) the spouse, children or grandchildren of the Executive Officer (hereinafter "Immediate Family Members"); (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members; (iii) a partnership or limited liability company in which such Immediate Family Members are the only partners or members; or (iv) a private foundation established by the Executive Officer; provided that: (x) there may be no consideration for any such transfer; (y) in the case of Non-Qualified Options which may be granted in the future, the statement, letter or other document or agreement setting forth the terms and conditions of any such Non-Qualified Options must expressly provide for and limit the transferability of such Non-Qualified Options to transfers which are permitted by the foregoing provisions of this Section 9(b); and (z) any subsequent transfer of transferred Non-Qualified Options shall, except for transfers occurring as a result of the death of the transferee as contemplated by Section 10(e), be prohibited. Following the transfer of any Non-Qualified Options as permitted by the foregoing provisions of this Section 9(b), any such transferred Non-Qualified Options shall continue to be subject to the same terms and conditions applicable to such Non-Qualified Options immediately prior to the transfer; provided that, for purposes of this Plan, the term "Optionee" shall be deemed to refer to the transferee. Notwithstanding the foregoing, the events of termination of employment of Section 10 hereof shall continue to be applied with respect to the original Optionee for the purpose of determining whether or not the Non-Qualified Options shall be exercisable by the transferee and, upon termination of the original Optionee's employment, the Non-Qualified Options shall be exercisable by the transferee only to the extent and for the periods that the original Optionee (or his estate) would have been entitled to exercise such options as specified in Section 10 below.

10. Effect of Termination of Employment, Death or Disability. (a) In the event of the termination of employment of an Optionee during the two (2) year period after the date of issuance of an option to him either by reason of: (i) a discharge for cause; or (ii) voluntary separation on the part of the Optionee and without consent of the Company or the Subsidiary for whom the Optionee was employed, any rights of the Optionee to purchase shares of Common Stock pursuant to the terms of any option or options theretofore granted to him under this Plan during the two (2) year period ending on the date his employment with the Company is terminated, shall be terminated immediately to the extent not theretofore exercised by the Optionee.

(b) In the event of the termination of employment of an Optionee (otherwise than by reason of death or retirement of the Optionee at his Retirement Date) by the Company or by any of the Subsidiaries employing the Optionee at such time, any option or options granted to him under the Plan to the extent not theretofore exercised shall be deemed cancelled and terminated forthwith, except that, subject to the provisions of subparagraph (a) of this Section, such Optionee may exercise any options theretofore granted to him, which have not then expired and which are otherwise exercisable within the provisions of Section 7 hereof, within three (3) months after such termination. If the employment of an Optionee shall be terminated by reason of the Optionee's retirement at his Retirement Date by the Company or by any of the Subsidiaries employing the Optionee at such time, the Optionee shall have the right to exercise such option or options held by him to the extent that such options have not expired, at any time within three (3) months after such retirement. The provisions of Section 7 to the contrary notwithstanding, upon retirement, all options held by an Optionee shall be immediately exercisable in full. The transfer of an Optionee from the employ of the Company to a Subsidiary of the Company or vice versa, or from one Subsidiary of the Company to another, shall not be deemed to constitute a termination of employment for purposes of this Plan.

(c) In the event that an Optionee shall die while employed by the Company or by any of the Subsidiaries or shall die within three (3) months after retirement on his Retirement Date (from the Company or any Subsidiary), any option or options granted to him under this Plan and not theretofore exercised by him or expired shall be exercisable by the estate of the Optionee or by any person who acquired such option by bequest or

inheritance from the Optionee in full, notwithstanding the provisions of Section 7 hereof, at any time within one (1) year after the death of the Optionee. References herein above to the Optionee shall be deemed to include any person entitled to exercise the option after the death of the Optionee under the terms of this Section.

(d) In the event of the termination of employment of an Optionee by reason of the Optionees' disability, the Optionee shall have the right, notwithstanding the provisions of Section 7 hereof, to exercise all options held by him, in full, to the extent that such options have not previously expired or been exercised, at any time within one (1) year after such termination. The term "disability" shall, for the purposes of this Plan, be defined in the same manner as such term is defined in Section 22(e)(3) of the Internal Revenue Code of 1986.

(e) For the purposes of this Plan, the "Retirement Date" of an Optionee shall mean the date on which the Optionee's employment with the Company, or, if applicable, the Subsidiary by whom the Optionee is employed, is terminated; provided that, such termination occurs after: (i) the Optionee has either: (A) been continuously employed by the Company or, if applicable, a Subsidiary for a period of at least five (5) years and attained at least age sixty (60); or (B) attained at least age sixty-five (65); and (ii) the Optionee has given at least thirty (30) days advance written notice to the Company or, if applicable, the Subsidiary by whom the Optionee is employed, that the Optionee will retire from his employment with the Company or the Subsidiary by whom he is employed on such date. For purposes of the foregoing, the period of an Optionee's employment with the Company or any Subsidiary shall be considered to be one continuous employment for purposes of determining whether the Optionee has been continuously employed for at least five (5) years provided that there is no intervening employment by a third party or no interval between employments which, in the sole opinion of the Committee, is deemed to break the continuity of the Optionee's employment. Continuous employment shall not be deemed to be interrupted by transfers between the Subsidiaries or between the Company and any Subsidiary, whether or not elected by the Optionee. The Committee shall, in its sole discretion, determine the effect of approved leaves of absence and all other matters having to do with continuous employment.

11. Amendment and Termination of the Plan. The Board of Directors of the Company may at any time suspend, amend or terminate the Plan; provided, however, that except as permitted in Section 13 hereof, no amendment or modification of the Plan which would:

(a) increase the maximum aggregate number of shares as to which options may be granted hereunder (except as contemplated in Section 5); or

(b) reduce the option price or change the method of determining the option price; or

(c) increase the time for exercise of options to be granted or those which are outstanding beyond a term of ten (10) years; or

(d) change the designation of the employees or class of employees eligible to receive options under this Plan,

may be adopted unless with the approval of the holders of a majority of the outstanding shares of Common Stock represented at a stockholders' meeting of the Company, or with the written consent of the holders of a majority of the outstanding shares of Common Stock. No amendment, suspension or termination of the Plan may, without the consent of the holder of the option, terminate his option or adversely affect his rights in any material respect.

12. Incentive Stock Options; Power to Establish Other Provisions. It is intended that the Plan shall conform to and (except as otherwise expressly set forth herein) each option shall qualify and be subject to exercise only to the extent that it does qualify as an "incentive stock option" as defined in Section 422 of the Code and as such section may be amended from time to time or be accorded similar tax treatment to that accorded to an incentive stock option by virtue of any new

revenue laws of the United States. The Board of Directors may make any amendment to the Plan which shall be required so to conform the Plan. Subject to the provisions of the Code, the Committee shall have the power to include such other terms and provisions in options granted under this Plan as the Committee shall deem advisable. The grant of any options pursuant to the terms of this Plan which do not qualify as "incentive stock options" as defined in Section 422 of the Code is hereby approved provided that the maximum number of shares of Common Stock of the Company which can be issued pursuant to the terms of this Plan (as provided for in Section 4 hereof but subject to anti-dilutive adjustments made pursuant to Section 5 hereof) is not exceeded by the grant of any such options and, to the extent that any options previously granted pursuant to the terms of this Plan were not "incentive stock options" within the meaning of Section 422 of the Code, the grant of such options is hereby ratified, approved and confirmed.

13. Maximum Annual Value of Options Exercisable.

Notwithstanding any provisions of this Plan to the contrary if: (a) the sum of: (i) the fair market value (determined as of the date of the grant) of all options granted to an Optionee under the terms of this Plan which become exercisable for the first time in any one calendar year; and (ii) the fair market value (determined as of the date of the grant) of all options previously granted to such Optionee under the terms of this Plan or any other incentive stock option plan of the Company or its subsidiaries which also become exercisable for the first time in such calendar year; exceeds (b) \$100,000; then, (c) those options shall continue to be binding upon the Company in accordance with their terms but, to the extent that the aggregate fair market of all such options which become exercisable for the first time in any one calendar year (determined as of the date of the grant) exceeds \$100,000, such options (referred to, for purposes of this Plan, as "Non-Qualified Options") shall not be deemed to be incentive stock options as defined in Section 422(b) of the Code. For purposes of the foregoing, the determination of which options shall be recharacterized as not being incentive stock options issued under the terms of this Plan shall be made in inverse order of their grant dates and, accordingly, the last options received by the Optionee shall be the first options to be recharacterized as not being incentive stock options granted pursuant to the terms of the Plan.

14. General Provisions (a) No incentive stock option shall be construed as limiting any right which the Company or any parent or subsidiary of the Company may have to terminate at any time, with or without cause, the employment of an Optionee.

(b) The Section headings used in this Plan are intended solely for convenience of reference and shall not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any of the provisions hereof.

(c) The masculine, feminine or neuter gender and the singular or plural number shall be deemed to include the other whenever the content so indicates or requires.

(d) No options shall be granted under the Plan after ten (10) years from the date the Plan is adopted by the Board of Directors of the Company or approved by the stockholders of the Company, whichever is earlier.

15. Effective Date and Duration of the Plan. The Plan became effective on September 21, 1993, the date the adoption of the Plan was approved by the Board of Directors of the Company. On November 5, 1993, as required by Section 422 of the Code, the Plan was approved by the Stockholders of the Company. The Plan will terminate on September 20, 2003; provided however, that the termination of the Plan shall not be deemed to modify, amend or otherwise affect the terms of any options outstanding on the date the Plan terminates.

IN WITNESS WHEREOF, the undersigned has executed this Plan by and on behalf of the Company on and as of the 9th day of February, 1999.

GIBRALTAR STEEL CORPORATION



By: Walter T. Erasmus

DATE ADOPTED BY BOARD OF DIRECTORS: September 21, 1993

DATE APPROVED BY STOCKHOLDERS: November 5, 1993

TERMINATION DATE: September 21, 2003

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1000  
US DOLLARS

3-MOS	
DEC-31-1999	
JAN-01-1999	
MAR-31-1999	
	1
	5,578
	0
	82,102
	1,294
	90,971
181,301	
	227,757
	50,182
	445,087
58,687	
	193,558
0	
	0
	125
	164,905
445,087	
	143,804
143,804	
	115,386
	115,386
	16,735
	0
3,319	
	8,364
	3,387
4,977	
	0
	0
	0
	4,977
	.40
	.39