CAREGUIDE INC
Form SC 13E3/A
December 24, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-3
RULE 13E-3 TRANSACTION STATEMENT
UNDER SECTION 13(e) OF THE
SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 3)

CAREGUIDE, INC.
(Name of the Issuer)

CareGuide, Inc.
Psilos Group Partners II, L.P.
Psilos Group Partners, L.P.
Psilos/Careguide Investment, L.P.
Derace Schaffer
John Pappajohn
Essex Woodlands Health Ventures IV, L.P.
Essex Woodlands Health Ventures V, L.P.
Hickory Venture Capital Corporation
(Names of Persons Filing Statement)

Common Stock, $0.01 per share
(Title of Class of Securities)

702915109
(CUSIP Number of Class of Securities)

Chris E. Paterson
Chief Executive Officer
CareGuide, Inc.
4401 N.W. 124th Avenue
Coral Springs, Florida 33065
(954) 796-3714
(Name, Address and Telephone Number of Persons Authorized to Receive
Notice and Communications on Behalf of Persons Filing Statement)

Copies to:

Darren K. DeStefano, Esq.
Cooley Godward Kronish LLP
One Freedom Square, Reston Town Center
11951 Freedom Drive
Reston, VA 20190-5656
(703) 456-8000

Christopher P. Giordano
DLA Piper US LLP
1251 Avenue of the Americas
New York, NY 10020-1104
(212) 335-4500

This statement is filed in connection with (check the appropriate box):

x The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3 (c) under the Securities Exchange Act of 1934.
o The filing of a registration statement under the Securities Act of 1933.
o A tender offer.
o None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies: o

Check the following box if the filing is a final amendment reporting the results of the transaction: o

Calculation of Filing Fee

Transaction Value*	Amount of Filing Fee**
$ 818,672.26	$ 163.73

* For purposes of calculating the filing fee only, this amount assumes the aggregate cash payment of $818,672.26 by the Issuer in lieu of fractional shares immediately following a 1-for-50,000 reverse stock split to holders of fewer than 50,000 shares of the Issuer's common stock prior to the reverse stock split. The aggregate cash payment is equal to the product of the price of $0.14 per pre-split share and 5,847,659 pre-split shares, the estimated aggregate number of shares held by such holders.

** Determined pursuant to Rule 0-11(b)(1) as the product of $818,672.26 and one-fiftieth of one percent. A fee of $213.27 was previously paid with the original filing of the Schedule 13E-3 based on the originally estimated transaction value.

o Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) of the Securities Exchange Act of 1934 and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

TABLE OF CONTENTS

Item 1.	Summary Term Sheet.	2
Item 2.	Subject Company Information.	2
Item 3.	Identity And Background Of Filing Person.	2
Item 4.	Terms Of The Transaction.	3
Item 5.	Past Contacts, Transactions, Negotiations And Agreements.	3
Item 6.	Purposes Of The Transaction And Plans Or Proposals.	4
Item 7.	Purposes, Alternatives, Reasons And Effects.	4
Item 8.	Fairness Of The Going Private Transaction.	5
Item 9.	Reports, Opinions, Appraisals And Negotiations.	5
Item 10.	Source And Amounts Of Funds Or Other Consideration.	5
Item 11.	Interest In Securities Of The Subject Company.	6
Item 12.	The Solicitation Or Recommendation.	6
Item 13.	Financial Statements.	6
Item 14.	Persons/Assets, Retained, Employed, Compensated Or Used.	6
Item 15.	Additional Information.	7
Item 16.	Exhibits.	7
SIGNATURES		8
EXHIBIT INDEX		9

INTRODUCTION

This Amendment No. 3 amends and supplements the Rule 13e-3 Transaction Statement on Schedule 13E-3 filed on September 5, 2008 (as amended, the "Schedule 13E-3") by (i) CareGuide, Inc., a Delaware corporation (the "Company"), (ii) Psilos Group Partners II, L.P., a Delaware limited partnership ("Psilos Fund II"), (iii) Psilos Group Partners, L.P., a Delaware limited partnership ("Psilos Fund I"), (iv) Psilos/Careguide Investment, L.P., a Delaware limited partnership ("Psilos/Careguide," and, together with Psilos Fund II and Psilos Fund I, the "Psilos Funds"), (v) Derace L. Schaffer, an individual, (vi) John Pappajohn, an individual, (vii) Essex Woodlands Health Ventures IV, L.P., a Delaware limited partnership ("Essex Fund IV"), (viii) Essex Woodlands Health Ventures V, L.P., a Delaware limited partnership ("Essex Fund V" and, together with Essex Fund IV, the "Essex Funds"), and (ix) Hickory Venture Capital Corporation, an Alabama corporation ("Hickory" and, together with the Psilos Funds, the Essex Funds, Dr. Schaffer and Mr. Pappajohn, the "Investor Group").

Concurrently with the filing of this Schedule 13E-3, the Company is filing its definitive Information Statement (the "Information Statement") pursuant to Regulation 14C under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Information Statement is Exhibit (a) to the Schedule 13E-3. The information in the Information Statement, including all annexes thereto, is expressly incorporated by reference herein in its entirety and the responses to each item herein are qualified in their entirety by the information contained in the Information Statement and the annexes thereto. Capitalized terms used but not defined herein have the meanings given to them in the Information Statement.

All references to subsections in the Items below are to the subsection of the applicable Item in Regulation M-A.

Item 1. Summary Term Sheet.

The information set forth in the Information Statement under the captions "Summary Term Sheet" and "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase" is incorporated herein by reference.

Item 2. Subject Company Information.

(a) Name and Address. CareGuide, Inc. is the subject company. Its principal executive offices are located at 4401 N.W. 124th Avenue, Coral Springs, Florida 33065 and its telephone number is (954) 796-3714.

(b) Securities. As of December 19, 2008, there were 67,538,976 outstanding shares of common stock, par value $0.01, of the Company.

(c) Trading Market and Price. The information set forth in the Information Statement under the caption "Information About the Company—Price Range of Common Stock" is incorporated herein by reference.

(d) Dividends. The information set forth in the Information Statement under the caption "Information About the Company—Dividends" is incorporated herein by reference.

(e) Prior Public Offerings. The information set forth in the Information Statement under the caption "Information About the Company—Prior Public Offerings and Stock Purchases" is incorporated herein by reference.

(f) Prior Stock Purchases. The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Potential Disadvantages of the Reverse/Forward Stock Split," "Special Factors—Background of the

Reverse/Forward Stock Split" "Special Factors—Effects of the Reverse/Forward Stock Split and the Financing," "Special Factors—Federal Income Tax Consequences of the Reverse/Forward Stock Split," "General Information About the Reverse/Forward Stock Split" and "Information About the Company—Prior Public Offerings and Stock Purchases" is incorporated herein by reference.

Item 3. Identity And Background Of The Filing Person.

(a) Name and Address. With respect to the Company, the information set forth in Item 2(a) above is incorporated herein by reference. With respect to each current executive officer and director of the Company, the Information Statement under the caption "Information About the Company—Executive Officers and Directors" is incorporated herein by reference. With respect to all Filing Persons other than the Company, the information set forth in the Information Statement under the caption "Information About Other Filing Persons—Business and Background of Entities and Certain Related Persons" is incorporated herein by reference.

(b) Business and Background of Entities. With respect to all Filing Persons other than the Company, the information set forth in the Information Statement under the caption "Information About Other Filing Persons—Business and Background of Entities and Certain Related Persons" is incorporated herein by reference.

(c) Business and Background of Natural Persons. With respect to each current executive officer and director of the Company, the information set forth in the Information Statement under the caption "Information About the Company—Executive Officers and Directors" is incorporated herein by reference. With respect to natural persons affiliated with the Investor Group, the information set forth in the Information Statement under the captions "Information About the Company—Executive Officers and Directors" and "Information About Other Filing Persons—Business and Background of Entities and Certain Related Persons" is incorporated herein by reference.

Item 4. Terms Of The Transaction.

(a) Material Terms. The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split," "Special Factors—Effects of the Reverse/Forward Stock Split and the Financing," and "General Information About the Reverse/Forward Stock Split" is incorporated herein by reference.

(c) Different Terms. The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split," "Special Factors—Potential Disadvantages of the Reverse/Forward Stock Split," "Special Factors—Effects of the Reverse/Forward Stock Split and the Financing," "Special Factors—Federal Income Tax Consequences of the Reverse/Forward Stock Split," and "General Information About the Reverse/Forward Stock Split" is incorporated herein by reference.

(d) Appraisal Rights. The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase" and "General Information About the Reverse/Forward Stock Split—Appraisal Rights" is incorporated herein by reference.

(e) Provisions for Unaffiliated Security Holders. The information set forth in the Information Statement under the caption "General Information About the Reverse/Forward Stock Split—Provisions for Unaffiliated Stockholders" and "Special Factors—Factors Considered in Determining Fairness—Procedural Fairness" is incorporated herein by reference.

(f) Eligibility for Listing or Trading. Not applicable.

Item 5. Past Contacts, Transactions, Negotiations And Agreements.

(a) Transactions. The information set forth in the Information Statement under the captions "Information About the Company—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Company and Its Directors and Officers" and "Information About Other Filing Persons—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Investor Group and Related Persons" is incorporated herein by reference.

(b) Significant Corporate Events. The information set forth in the Information Statement under the caption "Information About Other Filing Persons—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Investor Group and Related Persons" is incorporated herein by reference.

(c) Negotiations or Contacts. The information set forth in the Information Statement under the captions "Information About the Company—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Company and Its Directors and Officers" and "Information About Other Filing Persons—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Investor Group and Related Persons" is incorporated herein by reference.

3

(e) Agreements Involving the Company's Securities. The information set forth in the Information Statement under the captions "Information About the Company—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Company and Its Directors and Officers" and "Information About Other Filing Persons—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Investor Group and Related Persons" is incorporated herein by reference.

Item 6. Purposes Of The Transaction And Plans Or Proposals.

(b) Use of Securities Acquired. The information set forth in the Information Statement under the caption "Special Factors—Effects of the Reverse/Forward Stock Split and the Financing—Effects on the Number of Our Authorized and Outstanding Shares and Registered Holders" is incorporated herein by reference.

(c) Plans.

(1) Not applicable.

(2) Not applicable.

(3) The information set forth in the Information Statement under the captions "Special Factors—Effects of the Reverse/Forward Stock Split and the Financing—Effects on the Number of Our Authorized and Outstanding Shares and Our Registered Holders" and "General Information About the Authorized Share Increase" is incorporated herein by reference.

(4) The information set forth in the Information Statement under the captions "Summary Term Sheet," "General Information About the Reverse/Forward Stock Split—Conduct of Our Business After the Reverse/Forward Stock Split" and "General Information About the Reverse/Forward Stock Split—Financing of the Reverse/Forward Stock Split—Stockholders Agreement" is incorporated herein by reference.

(5) Not applicable.

(6) The information set forth in the Information Statement under the captions "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Effects of the Reverse/Forward Stock Split and the Financing—Effects on the Number of Our Authorized and Outstanding Shares and Our Registered Holders" and "Special Factors—Effects of the Reverse/Forward Stock Split and the Financing—Effects on Continuing Stockholders" is incorporated herein by reference.

(7) The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split," "Special Factors—Purposes of and Reasons for the Reverse/Forward Stock Split," "Special Factors—Effects of the Reverse/Forward Stock and the Financing," and "General Information About the Reverse/Forward Stock Split" is incorporated herein by reference.

(8) The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split," "Special Factors—Purposes of and Reasons for the Reverse/Forward Stock Split," "Special Factors—Effects of the Reverse/Forward Stock and the Financing," and "General Information About the Reverse/Forward Stock Split" is incorporated herein by reference.

Item 7. Purposes, Alternatives, Reasons And Effects.

(a) Purposes. The information set forth in the Information Statement under the captions "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split" and "Special Factors—Purposes of and Reasons for the Reverse/Forward Stock Split" is incorporated herein by reference.

(b) Alternatives. The information set forth in the Information Statement under the captions "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split" and "Special Factors—Strategic Alternatives Considered By the Board" is incorporated herein by reference.

(c) Reasons. The information set forth in the Information Statement under the captions "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split" and "Special Factors—Purposes of and Reasons for the Reverse/Forward Stock Split" is incorporated herein by reference.

(d) Effects. The information set forth in the Information Statement under the captions "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split," "Special Factors—Effects of the Reverse/Forward Stock Split and the Financing," "Special Factors—Potential Advantages of the Reverse/Forward Stock Split," "Special Factors—Potential Disadvantages of the Reverse/Forward Stock Split," "Special Factors—Federal Income Tax Consequences of the Reverse/Forward Stock Split" and "General Information About the Reverse/Forward Stock Split" is incorporated herein by reference.

Item 8. Fairness Of The Going-Private Transaction.

(a) Fairness. The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase" and "Special Factors—Fairness of the Reverse/Forward Stock Split" is incorporated herein by reference.

(b) Factors Considered in Determining Fairness. The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and Authorized Share Increase" and "Special Factors—Factors Considered in Determining Fairness" is incorporated herein by reference.

(c) Approval of Security Holders. The information set forth in the Information Statement under the captions "Special Factors—Factors Considered in Determining Fairness—Procedural Fairness" and "General Information About the Reverse/Forward Stock Split—Vote Required" is incorporated herein by reference.

(d) Unaffiliated Representative. The information set forth in the Information Statement under the captions "Special Factors—Factors Considered in Determining Fairness—Procedural Fairness" and "General Information About the Reverse/Forward Stock Split—Provisions for Unaffiliated Stockholders" is incorporated herein by reference.

(e) Approval of Directors. The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase" and "General Information About the Reverse/Forward Stock Split—Recommendation of the Board" is incorporated herein by reference.

(f) Other Offers. The information set forth in the Information Statement under the caption "Special Factors—Background of the Reverse/Forward Stock Split" is incorporated herein by reference.

Item 9. Reports, Opinions, Appraisals And Negotiations.

(a) Report, Opinion or Appraisal. The information set forth in the Information Statement under the captions "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Fairness of the Reverse/Forward Stock Split," "Special Factors—Factors Considered in Determining Fairness" and "Special Factors—Summary of Fairness Opinion" and in Annex B to the Information Statement and in Exhibit (c.2) hereto is incorporated herein by reference.

(b) Preparer and Summary of the Report, Opinion or Appraisal. The information set forth in the Information Statement under the captions "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase," "Special Factors—Background of the Reverse/Forward Stock Split," "Special Factors—Fairness of th

Reverse/Forward Stock Split," "Special Factors—Factors Considered in Determining Fairness" and "Special Factors—Summary of Fairness Opinion" and in Annex B to the Information Statement and in Exhibit (c.2) hereto is incorporated herein by reference.

(c) Availability of Documents. The information set forth in the Information Statement under the caption "Special Factors—Summary of Fairness Opinion" is incorporated herein by reference.

Item 10. Source And Amounts Of Funds Or Other Consideration.

(a) Source of Funds. The information set forth in the Information Statement under the caption "General Information About the Reverse/Forward Stock Split—Financing of the Reverse/Forward Stock Split" is incorporated herein by reference.

5

(b) Conditions. The information set forth in the Information Statement under the caption "General Information About the Reverse/Forward Stock Split—Financing of the Reverse/Forward Stock Split—Purchase Agreement" is incorporated herein by reference.

(c) Expenses. The information set forth in the Information Statement under the caption "General Information About the Reverse/Forward Stock Split—Fees and Expenses" is incorporated herein by reference.

(d) Borrowed Funds. Not applicable.

Item 11. Interest In Securities Of The Subject Company.

(a) Security Ownership. The information set forth in the Information Statement under the caption "Information About the Company—Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

(b) Securities Transactions. The information set forth in the Information Statement under the captions "Information About the Company—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Company and Its Directors and Officers" and "Information About Other Filing Persons—Prior Share Purchases, Contacts, Transactions, Negotiations and Agreements Involving the Investor Group and Related Persons" is incorporated herein by reference.

Item 12. The Solicitation Or Recommendation.

(d) Intent to Tender or Vote in a Going-Private Transaction. The information set forth in the Information Statement under the captions "Summary Term Sheet," "Questions and Answers About the Reverse/Forward Stock Split and the Authorized Share Increase" "Special Factors—Background of the Reverse/Forward Stock Split," "General Information About the Reverse/Forward Stock Split—Vote Required" and "General Information About the Reverse/Forward Stock Split—Intent to Participate and Recommendations of Others" is incorporated herein by reference.

(e) Recommendations of Others. The information set forth in the Information Statement under the caption "General Information About the Reverse/Forward Stock Split—Intent to Participate and Recommendations of Others" is incorporated herein by reference.

Item 13. Financial Statements.

(a) Financial Information.

(1) The information set forth in the Information Statement under the caption "Information About the Company—Financial Information" and Annex E-1 to the Information Statement is incorporated herein by reference.

(2) The information set forth in the Information Statement under the caption "Information About the Company—Financial Information" and Annex E-2 to the Information Statement is incorporated herein by reference.

(3) The information set forth in the Information Statement under the caption "Information About the Company—Ratio of Earnings to Fixed Charges" is incorporated herein by reference.

(4) The information set forth in the Information Statement under the caption "Information About the Company—Book Value Per Share" is incorporated herein by reference.

(b) Pro Forma Information. Not applicable.

Item 14. Persons/Assets, Retained, Employed, Compensated Or Used.

(a) Solicitations or Recommendations. Not applicable.

(b) Employees and Corporate Assets. Not applicable.

6

Item 15. Additional Information.

(b) Other Material Information. The information set forth in the Information Statement, including all annexes thereto, and each exhibit hereto, is incorporated herein by reference.

Item 16. Exhibits.

(a) The Information Statement, filed with the Securities and Exchange Commission concurrently with this Schedule 13E-3, is incorporated herein by reference.

(b) Not applicable.

(c.1) The Opinion of Navigant Consulting, Inc., dated June 18, 2008, attached as Annex B to the Information Statement, is incorporated herein by reference.

(c.2) The Fairness Analysis prepared by Navigant Consulting, Inc., presented to the Board of Directors on June 18, 2008.*

(d.1) Stockholders Agreement, dated as of January 25, 2006, by and among the Company and certain of its stockholders, previously filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K filed on January 31, 2006, is incorporated herein by reference.

(d.2) Series A Preferred Stock Purchase Agreement, dated as of December 28, 2007, by and among the Company and certain of its stockholders, previously filed with the Securities and Exchange Commission as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 3, 2008, is incorporated herein by reference.

(d.3) Series A Preferred Stock Purchase Agreement, dated as of July 17, 2008, as amended, by and among the Company and certain of its stockholders.**

(d.4) Form of Stockholders Agreement by and among the Company and certain of its stockholders, attached as Annex C to the Information Statement filed concurrently with the Schedule 13E-3, is incorporated herein by reference.

(d.5) Form of Unconditional Guaranty, by and between Comerica Bank and certain guarantors of the Company's line of credit with Comerica Bank (the "Comerica Guarantors").*

(d.6) Form of Warrant to Purchase Shares of Common Stock issued to the Comerica Guarantors.*

(d.7) Form of Warrant to Purchase Shares of Common Stock issued to certain providers of funding guarantees.*

(d.8) Convertible Promissory Note, dated as of December 8, 2006, issued to Michael Barber, M.D.*

(d.9) Joinder Agreement, dated as of August 22, 2008, by and among the Company, Psilos/CareGuide Investment, L.P., Psilos Group Partners, L.P. and Psilos Group Partners II, L.P.*

(f) Not applicable.

(g) Not applicable.

* Previously filed with the Schedule 13E-3 filed by the Company on September 5, 2008.

** Previously filed with the Schedule 13E-3 (Amendment No. 2) filed by the Company on December 8, 2008.

SIGNATURES

After due inquiry and to the best of my knowledge and belief, the undersigned certify that the information set forth in this transaction statement is true, complete and correct.

Dated: December 24, 2008

CAREGUIDE, INC.

By: /s/ Chris E. Paterson
Name: Chris E. Paterson
Title: Chief Executive Officer

Dated: December 22, 2008

PSILOS GROUP PARTNERS II, L.P.

By: Psilos Group Investors II, LLC, its General Partner
By: /s/ Albert S. Waxman
Name: Albert Waxman
Title: Senior Managing Member

Dated: December 22, 2008

PSILOS GROUP PARTNERS, L.P.

By: Psilos Group Investors, LLC, its General Partner
By:

7

Accessory components complete the engineered building system. These components include doors, windows, sp
gutters and interior partitions.

Our patented Long Bay® System allows for construction of metal buildings with bay spacings of up to 65 feet w
internal supports. This compares to bay spacings of up to 30 feet under other engineered building systems. The L
System virtually eliminates all welding at the site, significantly reducing construction time compared with conve
construction. Our patented Long Bay® System is designed for larger buildings that typically require less custom
and design than our other engineered building systems, which allows us to meet our customers needs more effi

The following characteristics of engineered building systems distinguish them from other methods of constructio

Shorter construction time. In many instances, it takes less time to construct an engineered building than other bu
In addition, because most of the work is done in the factory, the likelihood of weather interruptions is reduced.

More efficient material utilization. The larger engineered building systems manufacturers use computer-aided a
design to fabricate structural members with high strength-to-weight ratios, minimizing raw materials costs.

Lower construction costs. The in-plant manufacture of engineered building systems, coupled with automation, a
substitution of less expensive factory labor for much of the skilled on-site construction labor otherwise required
building methods.

Greater ease of expansion. Engineered building systems can be modified quickly and economically before, dur
the building is completed to accommodate all types of expansion. Typically, an engineered building system can
by removing the end or side walls, erecting new framework and adding matching wall and roof panels.

Lower maintenance costs. Unlike wood, metal is not susceptible to deterioration from cracking, rotting or insec
Furthermore, factory-applied roof and siding panel coatings resist cracking, peeling, chipping, chalking and fadi

Environmentally friendly. Our buildings utilize recycled steel materials and our roofing and siding utilize painte
with high reflectance and emissivity, which help conserve energy and operating costs.

Manufacturing. We currently operate 9 facilities for manufacturing and distributing engineered building system
the United States and Monterrey, Mexico.

After we receive an order, our engineers design the engineered building system to meet the customer s requiren
satisfy applicable building codes and zoning requirements. To expedite this process, we use computer-aided des
engineering systems to generate engineering and erection drawings and a bill of materials for the manufacture of
engineered building system. From time-to-time, depending on our volume, we outsource to third-parties portion
drafting requirements.

Once the specifications and designs of the customer s project have been finalized, the manufacturing of frames
building systems begins at one of our frame manufacturing facilities. Fabrication of the primary structural frami
a process in which steel plates are punched and sheared and then routed through an automatic welding machine a
through further fitting and welding processes. The secondary structural framing and the covering system are roll
products that are manufactured at our full manufacturing facilities as well as our components plants.

Upon completion of the manufacturing process, structural framing members and metal roof and wall systems are
the job site for assembly. Since on-site construction is performed by an unaffiliated, independent general contrac
one of our authorized builders, we generally are not responsible for claims by end users or owners attributable to

on-site construction. The time elapsed between our receipt of an order and shipment of a completed building sys
typically ranged from four to eight weeks,

although delivery can extend somewhat longer if engineering and drafting requirements are extensive or, where the permitting process is protracted.

Sales, Marketing and Customers. We are one of the largest domestic suppliers of engineered building systems. engineer, manufacture and market engineered building systems and self-storage building systems for all non-res markets including commercial, industrial, agricultural, governmental and community.

Over the last 25 years, engineered building systems have significantly increased penetration of the market for no low-rise structures and are being used in a broad variety of other applications. According to the Metal Building Manufacturers Association (MBMA), domestic and export sales of engineered building systems by its memb represent a limited number of actual buildings manufactured, for 2008 and 2007, totaled approximately $3.3 bill $3.1 billion, respectively. Although final 2009 sales information is not yet available from the MBMA, we estima of engineered building systems decreased in 2009 compared with 2008. McGraw-Hill Construction reported tha non-residential market, measured in square footage, actually declined by 42.2% during our fiscal year. McGraw Construction s forecast for calendar 2009 indicates a total non-residential construction reduction of 42% in squ 30% in dollar value. The forecast for calendar 2010 indicates a total non-residential construction reduction of 4% footage and 2% in dollar value prior to increasing in 2011.

We believe the cost of an engineered building system generally represents approximately 20% to 30% of the tot constructing a building, which includes the cost of the land, labor, plumbing, electricity, heating and air conditio installation and interior finish. Technological advances in products and materials, as well as significant improve engineering and design techniques, have led to the development of structural systems that are compatible with m traditional construction materials. Architects and designers now often combine an engineered building system w concrete, glass and wood exterior facades to meet the aesthetic requirements of end users while preserving the in characteristics of engineered building systems. As a result, the uses for engineered building systems now include buildings, showrooms, retail shopping centers, banks, schools, places of worship, warehouses, factories, distribu government buildings and community centers for which aesthetics and architectural features are important consi the end users. In addition, advances in our products such as insulated steel panel systems for roof and wall appli buildings the perfect balance of strength, thermal efficiency and attractiveness.

We sell engineered building systems to builders, general contractors, developers and end users nationwide unde names Metallic, Mid-West Steel, A & S, All American, Steel Systems, Mesco, Star, Ceco SteelBuilding.com. We market engineered building systems through an in-house sales force to authorized bu over 5,700 builders. We also sell engineered building systems to various private labels. In addition to a tradition business-to-business channel, we sell small custom-engineered metal buildings through two other marketing cha targeting end-use consumers and small general contractors. We sell through Heritage Building Systems (Herit direct-response, phone-based sales organization and Steelbuilding.com which allows customers to design, price metal buildings online. During fiscal 2009, our largest customer for engineered building systems accounted for a 1% of our total consolidated sales.

Our authorized builder networks consist of independent general contractors that market our products and service users. Most of our sales of engineered building systems are made through our authorized builder networks. We e agreement with an authorized builder, which generally grants the builder the non-exclusive right to market our p specified territory. Generally, the agreement is cancelable by either party on 60 days notice. The agreement do the builder from marketing engineered building systems of other manufacturers. We establish an annual sales go builder and provide the builder with sales and pricing information, drawings and assistance, application program estimating and quoting jobs and advertising and promotional literature. We also defray a portion of the builder costs and provide volume purchasing and other pricing incentives to encourage it to deal exclusively or principa The builder is required to maintain a place of business in its designated territory, provide a

9

sales organization, conduct periodic advertising programs and perform construction, warranty and other services
customers and potential customers. An authorized builder usually is hired by an end-user to erect an engineered
system on the customer s site and provide general contracting and other services related to the completion of th
sell our products to the builder, which generally includes the price of the building as a part of its overall constru
with its customer. We rely upon maintaining a satisfactory business relationship for continuing job orders from
authorized builders and do not consider the builder agreements to be material to our business.

Our patented Long Bay® System provides us with an entry to builders that focus on larger buildings. This also p
with new opportunities to cross-sell our other products to these new builders and to compete with the conventio
construction industry.

Business Strategy

We intend to expand our business, enhance our market position and increase our sales and profitability by focus
implementation of a number of key initiatives that we believe will help us grow and reduce costs. Our current st
focuses primarily on organic initiatives, but also considers the use of opportunistic acquisitions to achieve our g
objectives:

Corporate-Wide Initiatives

Through introduction of new products and services, we expect to capture an increasing share of the growing ma
building products. We will continue our focus on leveraging technology and automation to be the lowest cost pr
enhance plant utilization through expanded use of our hub & spoke distribution model. We will also implement
MRP platform, financial shared services model, and supply chain automation and efficiencies to allow for more
reductions across all businesses. Finally, we will continue to identify and assess opportunistic acquisition candid

Metal Coil Coating Segment

Through diversification of our external customer base, we plan to substantially increase toll and package sales a
segment somewhat less dependent on the construction industry. We will continue to leverage efficiency improve
the lowest cost producer.

Components Segment

We intend to maintain our leading positions in these markets and seek opportunities to profitably expand our cu
We plan to expand our insulated panel product offering utilizing our new state-of-the-art manufacturing facility
Mississippi. In addition, we plan to accelerate and expand Nu-Roof™, our retrofit roofing product.

Buildings Segment

We intend to maintain our leading positions in these markets and seek opportunities to profitably expand our cu
We will continue to enhance and share engineering and drafting technologies across all Buildings brands, while
time continuing to increase product standardization. We will expand material sales by offering furnish & erect s
the ability to supply higher complexity structures for the Industrial market. In addition, we are deploying web-b
software to enhance small building sales across our brands. Finally, as construction markets improve, we will ex
low-cost frame production as additional capacity is required.

Raw Materials

The principal raw material used in manufacturing of our metal components and engineered building systems is s
various products are fabricated from steel produced by mills including bars, plates, structural shapes, sheets, hot
and galvanized or Galvalume®-coated coils. During fiscal 2009 and 2008, we purchased approximately 30% and
steel requirements, respectively, from one vendor. No other vendor accounted for over 10% of our steel requiren
fiscal 2009 or 2008. Although we

believe concentration of our steel purchases among a small group of suppliers that have mills and warehouse fac
to our facilities enables us, as a large customer of those suppliers, to obtain better pricing, service and delivery, t
or all of these suppliers could have a material adverse affect on our ability to obtain the raw materials required to
delivery schedules to our customers. These suppliers generally maintain an inventory of the types of materials w

Our raw materials on hand decreased to $48.1 million at November 1, 2009 from $142.6 million at November 2,
primarily due to the decrease in the quantity on hand and a decrease in steel costs. During fiscal 2009, we record
of $40.0 million to reduce the carrying amount on certain raw material inventory to the lower of cost or market.

Our business is heavily dependent on the price and supply of steel. The steel industry is highly cyclical in nature
prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by nu
factors beyond our control, including general economic conditions domestically and internationally, the availabi
materials, competition, labor costs, freight and transportation costs, production costs, import duties and other tra
restrictions. We believe the CRU North American Steel Price Index, published by the CRU Group since 1994, a
depicts the volatility in steel prices. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk
During fiscal 2009, steel prices fluctuated significantly due to market conditions ranging from a high point on th
of 187 to a low point of 112. Steel prices decreased rapidly during the first eight months of fiscal 2009 but increa
July 2009 and October 2009. Rapidly declining demand for steel due to the effects of the credit crisis and global
slowdown on the construction, automotive and industrial markets has resulted in many steel manufacturers arou
announcing plans to cut production by closing plants and furloughing workers. Steel suppliers such as US Steel
Mittal are among those manufacturers who have cut production. Given reduced steel production, higher input co
inventories in the industry, we believe steel prices will increase in fiscal 2010 as compared with the prices we ex
during the second half of fiscal 2009.

Although we have the ability to purchase steel from a number of suppliers, a production cutback by one or more
current suppliers could create challenges to meet delivery schedules to our customers. Because we have periodic
our contract prices, particularly in the engineered building systems segment, we have generally been able to pass
our raw material costs through to our customers. We do not have any long-term contracts for the purchase of ste
normally do not maintain an inventory of steel in excess of our current production requirements. However, from
we may purchase steel in advance of announced steel price increases. In addition, it is our current practice to pu
steel consignment inventory that remains in consignment after an agreed term. Therefore, our inventory may inc
demand for our products declines. For additional information about the risks of our raw material supply and pric
Item 1A. Risk Factors.

Backlog

At November 1, 2009, the total backlog of orders for our products we believe to be firm was $253.7 million. Thi
with a total backlog for our products of $332.4 million at November 2, 2008. Backlog at November 1, 2009 and
2008 primarily consisted of engineered building systems orders in the amount of $252.6 million and $330.0 mill
respectively. Job orders are generally cancelable by customers at any time for any reason. Current economic con
result in higher levels of cancellations than we historically have experienced. See Item 1A. Risk Factors Our
cyclical and highly sensitive to macroeconomic conditions; as a result, our industry is currently experiencing a d
which, if sustained, will materially and adversely affect our business, liquidity and results of operations. Occas
in the backlog are not completed and shipped for reasons that include changes in the requirements of the custom
inability of customers to obtain necessary financing or zoning variances. We do not anticipate that any significa
this backlog will extend beyond one year.

Table of Contents

Competition

We and other manufacturers of metal components and engineered building systems compete in the building indu
other alternative methods of building construction such as tilt-wall, concrete and wood, single-ply and built up, a
may be perceived as more traditional, more aesthetically pleasing or having other advantages over our products.
with all manufacturers of building products, from small local firms to large national firms.

In addition, competition in the metal components and engineered building systems market of the building indust
It is based primarily on:

- quality;
- service;
- on-time delivery;
- ability to provide added value in the design and engineering of buildings;
- price; and
- speed of construction.

We compete with a number of other manufacturers of metal components and engineered building systems for th
industry, ranging from small local firms to large national firms. Most of these competitors operate on a regional
although we believe that at least two other manufacturers of engineered building systems and three manufacture
components have nationwide coverage.

We are comprised of a family of companies operating 32 manufacturing facilities across the United States and M
additional sales and distribution offices throughout the United States and Canada. These facilities are used for th
manufacturing of metal components and engineered building systems for the building industry, including three f
operations. We believe this broad geographic distribution gives us an advantage over our components and buildi
competitors because major elements of a customer s decision are the speed and cost of delivery from the manuf
facility to the product s ultimate destination. We operate a fleet of trucks to deliver our products to our custome
timely manner than most of our competitors.

We compete with a number of other providers of metal coil coating services to manufacturers of metal compone
engineered building systems for the building industry, ranging from small local firms to large national firms. Mo
competitors operate on a regional basis, although we believe there are at least three other providers of light gaug
coating services that have a nationwide market presence. Also, there are two other providers of heavy gauge met
coating services who have substantially the same geographic reach as our heavy gauge coil coating facilities. Co
the metal coil coating industry is intense and is based primarily on quality, service, delivery and price.

Consolidation

Over the last several years, there has been a consolidation of competitors within the industries of the metal coil c
components and engineered building systems segments, which include many small local and regional firms. We
these industries will continue to consolidate, driven by the needs of manufacturers to increase anticipated long-te
manufacturing capacity, achieve greater process integration and add geographic diversity to meet customers pr
delivery needs, improve production efficiency and manage costs. When beneficial to our long-term goals and str

have sought to consolidate our business operations with other companies. The resulting synergies from these co
efforts have allowed us to reduce costs while continuing to serve our customers needs. In January 2007, we co
purchase of substantially all of the assets of Garco Building Systems, Inc. which designs, manufactures and dist
building systems primarily for markets in the northwestern United States and western Canada. In April 2006, we
100% of the issued and outstanding shares of RCC. RCC operates the Ceco

12

Table of Contents

Building Systems, Star Building Systems and Robertson Building Systems divisions and is a leader in the metal
segment. For more information, see Acquisitions.

In addition to the consolidation of competitors within the industries of the metal coil coating, metal components
engineered building systems segments, in recent years there has been consolidation between those industries anc
producers. Several of our competitors have been acquired by steel producers, and further similar acquisitions are
a discussion of the possible effects on us of such consolidations, see Item 1A. Risk Factors.

Acquisitions

We have a history of making acquisitions within our industry, and we regularly evaluate growth opportunities bo
acquisitions and internal investment. We believe that there remain opportunities for growth through consolidatio
buildings and components segments, and our goal is to continue to grow through opportunistic strategic acquisit
as organically.

In furtherance of this strategy, on January 31, 2007, we completed the purchase of substantially all the assets of
is headquartered in Spokane, Washington, where it operates a manufacturing facility for metal building systems
commercial, institutional and agricultural applications. The addition of Garco has strengthened our presence in g
markets in the northwestern United States and western Canada. In addition to an established distribution and bui
Garco has built a well-respected brand name. Garco also provides us with an advanced manufacturing facility, w
first in the Northwest, a highly experienced operating team and a 33-acre site suitable for future expansion.

Consistent with our growth strategy, we frequently engage in discussions with potential sellers regarding the pos
purchase by us of businesses, assets and operations that are strategic and complementary to our existing operatio
assets and operations include engineered building systems and metal components, but may also include assets th
related to, or intertwined with, these business lines, and enable us to leverage our asset base, knowledge base an
Such acquisition efforts may involve participation by us in processes that have been made public, involve a num
potential buyers and are commonly referred to as auction processes, as well as situations in which we believe
party or one of the very limited number of potential buyers in negotiations with the potential seller. These acquis
often involve assets that, if acquired, would have a material effect on our financial condition and results of opera

We also evaluate from time to time possible dispositions of assets or businesses when such assets or businesses a
core to our operations and do not fit into our long-term strategy.

The Amended Credit Agreement contains a number of covenants that, among other things, limit or restrict the al
Company and its subsidiaries to dispose of assets, make acquisitions and engage in mergers.

Environmental Matters

The operation of our business is subject to stringent and complex laws and regulations pertaining to health, safet
environment. As an owner or operator of manufacturing facilities, we must comply with these laws and regulatio
federal, state and local levels. These laws and regulations can restrict or impact our business activities in many w

- restricting the way we can handle or dispose of our waste;

- requiring investigative or remedial action to mitigate or address certain environmental conditions that ma
caused by our operations or attributable to former operators; and

enjoining the operations of facilities deemed in non-compliance with environmental laws and regulations issued pursuant to such laws or regulations.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enfo measures, including the assessment of monetary penalties, the imposition of investigative

13

or remedial requirements, and the issuance of orders enjoining future operations. Certain environmental statutes
joint and several liability for costs required to clean up and restore sites where hazardous substances have been c
otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file clai
personal injury and property damage allegedly caused by the release of substances or other waste products into t
environment.

The trend in environmental regulation is to place more restrictions and limitations on activities that may affect h
or the environment. As a result, there can be no assurance as to the amount or timing of future expenditures for e
compliance or remediation, and actual future expenditures may be different from the amounts we currently antic
to anticipate future regulatory requirements that might be imposed and plan accordingly to remain in compliance
changing environmental laws and regulations and to minimize the costs of such compliance.

We do not believe that compliance with federal, state or local environmental laws and regulations will have a ma
adverse effect on our business, financial position or results of operations. In addition, we believe that the various
environmental activities in which we are presently engaged are not expected to materially interrupt or diminish o
operational ability to manufacture our products. We cannot assure you, however, that future events, such as chan
existing laws, the promulgation of new laws, or the development or discovery of new facts or conditions will no
incur significant costs. The following is a discussion of certain environmental and safety concerns that relate to o

Air Emissions. Our operations are subject to the federal Clean Air Act and comparable state laws and regulation
and regulations govern emissions of air pollutants from various industrial sources, including our manufacturing
also impose various monitoring and reporting requirements. Such laws and regulations may require that we obta
pre-approval for the construction or modification of certain projects or facilities expected to produce air emissio
the increase of existing air emissions, obtain and strictly comply with air permits containing various emissions a
operational limitations, or utilize specific emission control technologies to limit emissions. Our failure to comply
requirements could subject us to monetary penalties, injunctions, conditions or restrictions on operations, and, p
criminal enforcement actions. We will be required to incur certain capital and other expenditures in the future fo
control equipment in connection with obtaining and maintaining operating permits and approvals for air emissio
believe, however, that our operations will not be materially adversely affected by such requirements.

Hazardous and Solid Waste. Our operations generate wastes, including some hazardous wastes that are subject
Resource Conservation and Recovery Act, or RCRA, and comparable state laws, which impose detailed requirem
handling, storage, treatment and disposal of hazardous and solid waste. For example, ordinary industrial waste s
waste, waste solvents, and waste oils may be regulated as hazardous waste. RCRA currently exempts many of o
manufacturing wastes from classification as hazardous waste. However, these non-hazardous or exempted waste
regulated under state law or the less stringent solid waste requirements of RCRA.

Site Remediation. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as an
CERCLA and comparable state laws impose liability, without regard to fault or the legality of the original condu
classes of persons responsible for the release of hazardous substances into the environment. Such classes of pers
the current and past owners or operators of sites where a hazardous substance was released, and companies that d
arranged for disposal of hazardous substances at off-site locations such as landfills. In the course of our ordinary
we generate wastes that may fall within the definition of a hazardous substance. CERCLA authorizes the EPA
cases, third parties to take actions in response to threats to the public health or the environment and to seek to re
the responsible classes of persons the costs they incur. Under CERCLA, we could be subject to joint and several
the costs of cleaning up and restoring sites where hazardous substances have been released, for damages to natur
and for the costs of certain health studies.

We currently own or lease, and have in the past owned or leased, numerous properties that for many years have manufacturing operations. Hazardous substances or wastes may have been disposed

of or released on or under the properties owned or leased by us, or on or under other locations where such waste
taken for disposal. In addition, some of these properties have been operated by third parties or by previous owne
treatment and disposal or release of hazardous substances or wastes was not under our control. These properties
substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under su
could be required to remove previously disposed wastes (including waste disposed by prior owners or operators)
or remediate contaminated property (including soil and groundwater contamination, whether from prior owners
or other historic activities or spills), or perform remedial plugging or pit closure operations to prevent future con
See Item 3. Legal Proceedings for further discussion of specific environmental remediation activities.

Waste Water Discharges. Our operations are subject to the federal Water Pollution Control Act of 1972, as ame
known as the Clean Water Act, and analogous state laws and regulations. These laws and regulations impose det
requirements and strict controls regarding the discharge of pollutants into waters of the United States. The unpe
discharge of pollutants, including discharges resulting from a spill or leak incident, is prohibited. Any unpermitt
pollutants from our facilities could result in fines or penalties as well as significant remedial obligations.

Employee Health and Safety. We are subject to the requirements of the Occupational Safety and Health Act, or
comparable state laws that regulate the protection of the health and safety of workers. In addition, the OSHA ha
communication standard requires that information be maintained about hazardous materials used or produced in
operations and that this information be provided to employees, state and local government authorities and citize
believe that we are in substantial compliance with these requirements.

Zoning and Building Code Requirements

The engineered building systems and components we manufacture must meet zoning, building code and uplift re
adopted by local governmental agencies. We believe that our products are in substantial compliance with applic
code and uplift requirements. Compliance does not have a material adverse affect on our business.

Patents, Licenses and Proprietary Rights

We have a number of United States patents, pending patent applications and other proprietary rights, including t
to metal roofing systems, metal overhead doors, our pier and header system, our Long Bay® System and our bui
estimating and design system. We also have several registered trademarks and pending registrations in the Unite

Research and Development Costs

Total expenditures for research and development were $1.0 million, $1.8 million and $1.9 million for fiscal 200
2007, respectively. We incur research and development costs to develop new products, improve existing produc
improve safety factors of our products in the metal components segment. These products include building and ro
systems, panels, clips, purlins, and fasteners.

Employees

As of November 1, 2009, we had approximately 3,673 employees, of whom 2,071 were manufacturing and engi
personnel. We regard our employee relations as satisfactory. Approximately 10.0% of our workforce, including
employees at our subsidiary in Mexico, are represented by a collective bargaining agreement or union. As part o
reduction program, during fiscal 2009 we reduced our overall employee headcount by approximately 40%.

Item 1A. ***Risk Factors.***

Our industry is cyclical and highly sensitive to macroeconomic conditions; as a result, our industry is current experiencing a downturn which, if sustained, will materially and adversely affect our business, liquidity and r operations.

The non-residential construction industry is highly sensitive to national and regional macroeconomic conditions States economy is currently undergoing a period of slowdown and unprecedented volatility, which is having an on our business. When we began fiscal 2009, McGraw-Hill was predicting a 12% decline in non-residential con 2009 compared to 2008. Subsequently, McGraw-Hill revised its forecast further downward and, as of October 2 predicting a 42% square-footage decline in non-residential construction activity in 2009 compared to 2008. This decline contributed to a 37.9% decline in our total tons shipped, though we experienced the greatest impact in ou building systems segment.

Continued uncertainty about current economic conditions has had a negative effect on our business, and will con a risk to our business as our customers may postpone spending in response to tighter credit, negative financial ne declines in income or asset values, which could have a material negative effect on the demand for our products. that could influence demand include fuel and other energy costs, conditions in the non-residential real estate mar and healthcare costs, access to credit and other macroeconomic factors. From time to time, our industry has also adversely affected in various parts of the country by declines in non-residential construction starts, including but to, high vacancy rates, changes in tax laws affecting the real estate industry, high interest rates and the unavailab financing. Sales of our products may be adversely affected by continued weakness in demand for our products w particular customer groups, or a continued decline in the general construction industry or particular geographic r and other economic factors could have a material adverse effect on demand for our products and on our financia and operating results.

We cannot predict the ultimate severity or length of the current economic crisis, or the timing or severity of futu or industry downturns. A prolonged economic downturn, particularly in states where many of our sales are made a material adverse effect on our results of operations and financial condition, including potential asset impairme

Current challenges in the credit markets may adversely affect our business and financial condition.

The current financial turmoil affecting the banking system and financial markets and the possibility that financia may consolidate or go out of business have resulted in a tightening in the credit markets, a low level of liquidity financial markets, and extreme volatility in fixed income, credit, currency and equity markets. The current challe credit markets have had, and will continue to have, a negative impact on our business and our financial conditio face significant challenges if conditions in the financial markets do not improve, including raw material shortage from the insolvency of key suppliers and the inability of customers to obtain credit to finance purchases of our p addition, declining customer spending will result in higher levels of order cancellations and a lower level of dem products than we have historically experienced, and will drive us to sell our products at lower prices, which wou adverse effect on our margins and profitability. The lack of credit also adversely affects non-residential construc the focus of our business.

We may not be able to service our debt, obtain future financing or may be limited operationally.

The debt that we carry may have important consequences to us, including the following:

Our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisit purposes may be impaired or additional financing may not be available on favorable terms;

We must use a portion of our cash flow to pay the principal and interest on our debt. These payments red
that would otherwise be available for our operations and future business opportunities;

Table of Contents

A substantial decrease in our net operating cash flows could make it difficult for us to meet our debt serv requirements and force us to modify our operations; and

We may be more vulnerable to a downturn in our business or the economy generally.

If we cannot service our debt, we will be forced to take actions such as reducing or delaying acquisitions and/or expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We can gi assurance that we can do any of these things on satisfactory terms or at all.

We may incur additional debt from time to time to finance acquisitions, capital expenditures or for other purpos comply with the restrictions in our Amended Credit Agreement and ABL Facility.

Restrictive covenants in the Amended Credit Agreement and the ABL Facility may adversely affect us.

We must comply with operating and financing restrictions in the Amended Credit Agreement and the ABL Faci also have similar restrictions with any future debt. These restrictions affect, and in many respects limit or preven

incurring additional indebtedness;

making restricted payments, including dividends or other distributions;

incurring liens;

making investments, including joint venture investments;

selling assets;

repurchasing our debt and our capital stock; and

merging or consolidating with or into other companies or sell substantially all our assets.

We are required to make mandatory payments under the Amended Credit Agreement upon the occurrence of cer including the sale of assets and the issuance of debt, in each case subject to certain limitations and conditions se Amended Credit Agreement. The Amended Credit Agreement also requires us, beginning with the fourth quarte 2011, to satisfy set financial tests relating to our leverage ratio, provided that these financial tests will not apply quarter in which certain amortization targets are met.

Under the ABL Facility, a Dominion Event occurs if either an event of default is continuing or excess availab certain levels, during which period, and for certain periods thereafter, the administrative agent may apply all am Company s concentration account to the repayment of the loans outstanding under the ABL Facility, subject to agreement between the lenders under the Amended Credit Agreement and the ABL Facility. In addition, during Event, we are required to make mandatory payments on the ABL Facility upon the occurrence of certain events, sale of assets and the issuance of debt, in each case subject to certain limitations and conditions set forth in the A If excess availability under the ABL Facility falls below certain levels, our asset-based loan facility also require set financial tests relating to our fixed charge coverage ratio.

These restrictions could limit our ability to plan for or react to market conditions or meet extraordinary capital n otherwise could restrict our activities. In addition, under certain circumstances and subject to the limitations set

Amended Credit Agreement, the Amended Credit Agreement requires us to pay down our term loan to the exten
positive cash flow each fiscal year. These restrictions could also adversely affect our ability to finance our future
or capital needs or to engage in other business activities that would be in our interest.

We may recognize additional goodwill or other intangible asset impairment charges.

Based on lower than projected sales volumes in our first quarter of fiscal 2009 and based on a revised lower outl
non-residential construction activity in 2009, management reduced the Company s cash flow

---

projections. We concluded this reduction was an impairment indicator requiring us to perform an interim goodw
impairment test for each of our six reporting units as of February 1, 2009. As a result of this impairment indicato
updated the first step of our goodwill impairment test in the first quarter of fiscal 2009. As of February 1, 2009,
the market implied fair value of our goodwill was less than its carrying value by approximately $508.9 million,
recorded as a goodwill impairment charge in the first quarter of fiscal 2009. This charge was an estimate based
of the preliminary allocation of fair value in the second step of the goodwill impairment test. However, due to th
complexity of the valuation calculations required under the second step of the test, we finalized our allocation o
value during the second quarter of fiscal 2009.

Based on the Phase III restructuring, management determined we were required to perform another interim good
impairment test for each of our reporting units that had goodwill remaining as of May 3, 2009. As a result, we u
first step of our goodwill impairment test in the second quarter of fiscal 2009 and determined that the carrying v
goodwill exceeded its fair value at most of the applicable reporting units and as a result, we initiated the second
goodwill impairment test. As of May 3, 2009, we determined the market implied fair value of our goodwill was
carrying value by approximately $102.5 million, and we recorded a goodwill impairment charge for such amour
second quarter of fiscal 2009.

However, future triggering events, such as declines in our cash flow projections, may cause additional impairme
goodwill or intangible assets based on factors such as our stock price, projected cash flows, assumptions used, c
premiums or other variables.

We completed our annual assessment of the recoverability of goodwill and indefinite lived intangibles in the fou
fiscal 2009 and determined that no further impairments of our goodwill or long-lived intangibles were required.

Our businesses are seasonal, and our results of operations during our first two fiscal quarters may be adverse by seasonality.

The metal coil coating, metal components and engineered building systems businesses, and the construction indu
general, are seasonal in nature. Sales normally are lower in the first calendar quarter of each year compared to th
quarters because of unfavorable weather conditions for construction and typical business planning cycles affecti
construction. This seasonality adversely affects our results of operations for the first two fiscal quarters. Prolong
weather conditions can delay construction projects and otherwise adversely affect our business.

Price volatility and supply constraints in the steel market could prevent us from meeting delivery schedules to customers or reduce our profit margins.

Our business is heavily dependent on the price and supply of steel. The steel industry is highly cyclical in nature
prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by nu
factors beyond our control, including general economic conditions domestically and internationally, the availabi
materials, competition, labor costs, freight and transportation costs, production costs, import duties and other tra
restrictions. Rapidly declining demand for steel due to the effects of the credit crisis and global economic slowd
construction, automotive and industrial markets has resulted in many steel manufacturers around the world anno
to cut production by closing plants and furloughing workers. Steel suppliers such as US Steel and Arcelor Mittal
those manufacturers who have cut production. With such production cuts, a sudden increase in demand could af
ability to purchase steel and result in rapidly increasing steel prices.

We do not have any long-term contracts for the purchase of steel and normally do not maintain an inventory of s
of our current production requirements. However, from time to time, we may purchase steel in advance of annou
price increases. In addition, it is our current practice to purchase all consignment inventory that remains in consi

an agreed term. Therefore, our inventory may increase if demand for our products declines. We can give you no
that steel will remain available or

18

Table of Contents

that prices will not continue to be volatile. While most of our contracts have escalation clauses that allow us, und
circumstances, to pass along all or a portion of increases in the price of steel after the date of the contract but pri
delivery, we may, for competitive or other reasons, not be able to pass such price increases along. If the availabl
steel declines, we could experience price increases that we are not able to pass on to our customers, a deteriorati
from our suppliers or interruptions or delays that may cause us not to meet delivery schedules to our customers.
problems could adversely affect our results of operations and financial condition. For more information about st
trends in recent years, see Item 1. Business Raw Materials and Item 7A. Quantitative and Qualitative Disc
market Risk Steel Prices.

***We rely on a few major suppliers for our supply of steel, which makes us more vulnerable to supply constrain
pricing pressure, as well as the financial condition of those suppliers.***

We rely on a few major suppliers for our supply of steel and may be adversely affected by the bankruptcy, finan
or other factors affecting those suppliers. During fiscal 2009, we purchased approximately 30% of our steel requ
from one vendor in the United States. No other vendor accounted for over 10% of our steel requirements during
Due to unfavorable market conditions and our inventory supply requirements during fiscal 2009, we purchased i
amounts of steel from foreign suppliers. Limiting purchases to domestic suppliers further reduces our available s
base. Therefore, production cutbacks in the first half of fiscal 2009 or a prolonged labor strike against one or mo
principal domestic suppliers could have a material adverse effect on our operations. Furthermore, if one or more
current suppliers is unable for financial or any other reason to continue in business or to produce steel sufficient
requirements, essential supply of our primary raw materials could be temporarily interrupted, and our business c
adversely affected.

Failure to retain or replace key personnel could hurt our operations.

Our success depends to a significant degree upon the efforts, contributions and abilities of our senior manageme
managers and other highly skilled personnel, including our sales executives. These executives and managers hav
accumulated years of experience in our industry and have developed personal relationships with our customers t
important to our business. If we do not retain the services of our key personnel or if we fail to adequately plan fo
succession of such individuals, our customer relationships, results of operations and financial condition may be a
affected.

***If we are unable to enforce our intellectual property rights or if our intellectual property rights become obsol
competitive position could be adversely affected.***

We utilize a variety of intellectual property rights in our services. We have a number of United States patents, pe
applications and other proprietary rights, including those relating to metal roofing systems, metal overhead door
and header system, our Long Bay® System and our building estimating and design system. We also have several
trademarks and pending registrations in the United States. We view our portfolio of process and design technolo
our competitive strengths. We may not be able to successfully preserve these intellectual property rights in the fu
these rights could be invalidated, circumvented, or challenged. If we are unable to protect and maintain our intel
property rights, or if there are any successful intellectual property challenges or infringement proceedings agains
business and revenue could be materially and adversely affected.

***We incur costs to comply with environmental laws and have liabilities for environmental investigations, clean
claims.***

Because we emit and discharge pollutants into the environment, own and operate real property that has historica
for industrial purposes, and generate and handle hazardous substances and waste, we incur costs and liabilities to

environmental laws and regulations. We may incur significant additional costs as those laws and regulations or t
enforcement change in the future, if there is a release of hazardous substances into the environment or if a histor
hazardous substances or other

Table of Contents

contamination is identified. The operations of our manufacturing facilities are subject to stringent and complex f
and local environmental laws and regulations. These include, for example, (i) the federal Clean Air Act and com
laws and regulations that impose obligations related to air emissions, (ii) the federal RCRA and comparable stat
impose requirements for the storage, treatment, handling and disposal of waste from our facilities and (iii) the C
comparable state laws that regulate the investigation and cleanup of hazardous substances that may have been re
properties currently or previously owned or operated by us or locations to which we have sent waste for disposa
comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement r
including the assessment of monetary penalties, the imposition of investigative or remedial requirements, person
property or natural resource damages claims and the issuance of orders enjoining future operations. For more inf
about costs we have incurred for environmental matters in recent years, see Item 3. Legal Proceedings and I
Management s Discussion and Analysis of Financial Condition and Results of Operations.

The industries in which we operate are highly competitive.

We compete with all other alternative methods of building construction, which may be viewed as more tradition
aesthetically pleasing or having other advantages over our products. In addition, competition in the metal compo
metal buildings markets of the building industry and in the metal coil coating segment is intense. It is based prin

- quality;
- service;
- on-time delivery;
- ability to provide added value in the design and engineering of buildings;
- price;
- speed of construction in buildings and components; and
- personal relationships with customers.

We compete with a number of other manufacturers of metal components and engineered building systems and p
coil coating services ranging from small local firms to large national firms. In addition, we and other manufactu
components and engineered building systems compete with alternative methods of building construction. If thes
building methods compete successfully against us, such competition could adversely affect us.

In addition, several of our competitors have recently been acquired by steel producers. Competitors owned by st
may have a competitive advantage on raw materials that we do not enjoy. Steel producers may prioritize deliver
materials to such competitors or provide them with more favorable pricing, both of which could enable them to
to customers at lower prices or accelerated delivery schedules.

Our stock price has been and may continue to be volatile.

The trading price of our common stock has fluctuated in the past and is subject to significant fluctuations in resp
following factors, some of which are beyond our control:

- variations in quarterly operating results;

deviations in our earnings from publicly disclosed forward-looking guidance;

declines in our revenues;

changes in earnings estimates by analysts;

our announcements of significant contracts, acquisitions, strategic partnerships or joint ventures;

Table of Contents

general conditions in the metal components and engineered building systems industries;

uncertainty about current global economic conditions;

fluctuations in stock market price and volume; and

other general economic conditions.

During fiscal 2009, our closing stock price on the New York Stock Exchange ranged from a high of approximat
per share to a low of approximately $1.60 per share. In recent years, the stock market in general has experienced
price and volume fluctuations that have affected the market price for many companies in industries similar to ou
these fluctuations have been unrelated to the operating performance of the affected companies. These market flu
may decrease the market price of our common stock in the future.

Acquisitions may be unsuccessful if we incorrectly predict operating results or are unable to identify and com acquisitions and integrate acquired assets or businesses.

We have a history of expansion through acquisitions, and we believe that if our industry continues to consolidat
success may depend, in part, on our ability to successfully complete acquisitions. Growing through acquisitions
managing that growth will require us to continue to invest in operational, financial and management informatio
to attract, retain, motivate and effectively manage our employees. Pursuing and integrating acquisitions, includi
acquisition of RCC, involves a number of risks, including:

the risk of incorrect assumptions or estimates regarding the future results of the acquired business or exp
reductions or other synergies expected to be realized as a result of acquiring the business;

diversion of management s attention from existing operations;

unexpected losses of key employees, customers and suppliers of the acquired business;

integrating the financial, technological and management standards, processes, procedures and controls o
business with those of our existing operations; and

increasing the scope, geographic diversity and complexity of our operations.

Although the majority of our growth strategy is organic in nature, if we do pursue opportunistic acquisitions, we
no assurance that we will be successful in identifying or completing any acquisitions or that any businesses or a
are able to acquire will be successfully integrated into our existing business. We cannot predict the effect, if any
announcement or consummation of an acquisition would have on the trading prices of our securities.

Acquisitions subjects us to numerous risks that could adversely affect our results of operations.

If we pursue further acquisitions, depending on conditions in the acquisition market, it may be difficult or impos
identify businesses or operations for acquisition, or we may not be able to make acquisitions on terms that we c
economically acceptable. Even if we are able to identify suitable acquisition opportunities, our acquisition strate
upon, among other things, our ability to obtain financing and, in some cases, regulatory approvals, including un
Hart-Scott-Rodino Act.

Our incurrence of additional debt, contingent liabilities and expenses in connection with our acquisition of RCC
connection with any future acquisitions, could have a material adverse effect on our financial condition and resu
operations. Furthermore, our financial position and results of operations may fluctuate significantly from period
based on whether significant acquisitions are completed in particular periods. Competition for acquisitions is int
increase the cost of, or cause us to refrain from, completing acquisitions.

Table of Contents

The Convertible Preferred Stock will be dilutive to our stockholders. The Convertible Preferred Stock accrues which may be paid in cash or in-kind. If dividends on the Convertible Preferred Stock are paid in-kind, they v ownership interest of our stockholders. In addition, the dividend rate of the Convertible Preferred Stock will i the occurrence of certain events which constitute defaults under the terms of the Convertible Preferred Stock, cause further dilution. Furthermore, the Convertible Preferred Stock also provides for anti-dilution rights, wh dilute the ownership interest of stockholders in the future.

The Convertible Preferred Stock accrues dividends at a rate per annum of 12.00% if paid in-kind or at a rate per 8.00% if paid in cash, unless and until such dividends are reduced to 0.00%, which will occur if the trading price common stock equals or exceeds two times a specified target price (which is equal to $1.2748 as of November 1 subject to adjustments thereafter) for each trading day during any period of 20 consecutive trading days occurrin 30-month anniversary of October 20, 2009.

If dividends on the Convertible Preferred Stock are paid in-kind, it will dilute the ownership interest of stockhol Furthermore, upon the occurrence of a default, the applicable dividend rate is subject to increase by:

- 6.00% per annum, if the default is the result of a failure by us after June 30, 2011 to reserve and keep ava issuance a number of shares of common stock equal to 110% of the number of shares of common stock i conversion of all outstanding shares of Convertible Preferred Stock; or

- 3.00% per annum for any other specified default.

We do not have sufficient authorized and unissued shares of common stock to permit the conversion of all 250,0 Convertible Preferred Stock owned by the CD&R Funds. The Company intends to submit to a shareholder vote meeting of stockholders of the Company, a proposal to amend the certificate of incorporation of the Company to reverse stock split at a conversion ratio of 1-for-5, 1-for-7 or 1-for-9. If the shareholders vote in favor of the reve split at the annual meeting, we expect that, following the completion of the reverse stock split, the CD&R Funds to convert 100% of their Preferred Shares into shares of common stock of the Company. In the event that we do the number of authorized and unissued shares of common stock prior to June 30, 2010, beginning on that date an until we receive stockholder approval for an increase in the number of shares available for conversion of the Pre the CD&R Funds will receive a higher dividend rate per share of Convertible Preferred Stock owned by them th that is currently payable on the Convertible Preferred Stock.

The conversion price of the Convertible Preferred Stock is subject to adjustment, including if the Company issue stock or other securities below the then-current market price or, during the first three years after October 20, 200 then-current conversion price. Adjustments to the conversion price will dilute the ownership interest of stockhol

In connection with the Equity Investment, we entered into a stockholders agreement with the CD&R Funds purs the CD&R Funds have substantial governance and other rights and setting forth certain terms and conditions reg Equity Investment and the ownership of the CD&R Funds shares of Convertible Preferred Stock. Pursuant to th agreement with the CD&R Funds, subject to certain ownership and other requirements and conditions, the CD& the right to appoint a majority of directors to our board of directors, including the Lead Director or Chairman Committee of our board of directors, and have consent rights over a variety of significant corporate and financin including, subject to certain customary exceptions and specified baskets, sales and acquisitions of assets, issuanc redemptions of equity, incurrence of debt, the declaration or payment of extraordinary distributions or dividends to the Company s line of business. In addition, the CD&R Funds are granted subscription rights under the terms conditions of the stockholders agreement.

Further, effective as of the closing of the Equity Investment, the Company has taken all corporate action and file
notices or other documentation with the New York Stock Exchange (NYSE) necessary

---

to elect to take advantage of the exemptions to the requirements of sections 303A.01, 303A.04 and 303A.05 of t
Listed Company Manual and, for so long as we qualify as a controlled company within the meaning set forth
Listed Company Manual or any similar provision in the rules of a stock exchange on which the securities of the
quoted or listed for trading, we have agreed to use our reasonable best efforts to take advantage of the exemptio
Such exemptions exempt us from compliance with the NYSE s requirements for companies listed on the NYSE
majority of independent directors, (2) a nominating/corporate governance committee and a compensation comm
case, composed entirely of independent directors, and (3) charters for the nominating/corporate governance com
the compensation committee, in each case, addressing certain specified matters.

***The Convertible Preferred Stock issued in connection with the Equity Investment has substantial rights and r
to the common stock.***

Shares of our common stock rank junior as to dividend rights, redemption payments and rights (including as to c
assets) in any liquidation, dissolution, or winding-up of the affairs of the Company and otherwise to the shares o
Preferred Stock issued to the CD&R Funds in connection with the Equity Investment. The terms of the Converti
Stock entitle the holders thereof to vote on an as-converted basis (without taking into account any limitations on
convertibility that may then be applicable) with the holders of common stock. The CD&R Funds have a majorit
position and holders of common stock are in the minority. In addition, certain actions by the Company, includin
occurrence of certain specified defaults, the adoption of an annual budget, the hiring and firing, or the changing
compensation, of executive officers and the commitment, resolution or agreement to effect any business combin
others, require the prior affirmative vote or written consent of the holders representing at least a majority of the
then-outstanding shares of Convertible Preferred Stock, voting together as a separate class. This level of control
with the CD&R Funds rights under the stockholders agreement, could discourage others from initiating any po
takeover or other change of control transaction that may otherwise be beneficial to our business or our stockhold

Furthermore, the terms of the Convertible Preferred Stock provide for anti-dilution rights, which may dilute the
interest of stockholders in the future, and change of control redemption rights, which may entitle the holders of
Preferred Stock to receive higher value for their shares of Convertible Preferred Stock than the shares of commo
would receive in the event of a change of control. In addition, the terms of the Convertible Preferred Stock also
the CD&R Funds participate in common stock dividends, receive preferred dividends and have preferential righ
liquidation, including make-whole rights.

***Increases in energy prices will increase our operating costs, and we may be unable to pass all these increases
customers in the form of higher prices for our products.***

Increases in energy prices will increase our operating costs and may reduce our profitability and cash flows if w
to pass all the increases on to our customers. We use energy in the manufacture and transport of our products. In
our manufacturing plants use considerable electricity and natural gas. Consequently, our operating costs typicall
energy costs rise. During periods of higher energy costs, we may not be able to recover our operating cost increa
price increases without reducing demand for our products. To the extent we are not able to recover these cost in
through price increases or otherwise, our profitability and cash flow will be adversely impacted. We partially he
exposure to higher prices via fixed forward positions.

Breaches of our information system security measures could disrupt our internal operations.

We are dependent upon information technology for the distribution of information internally and also to our cus
suppliers. This information technology is subject to theft, damage or interruption from a variety of sources, inclu
limited to malicious computer viruses, security breaches and defects in design. Various measures have been imp
manage our risks related to information system and network disruptions, but a system failure or breach of these

could negatively impact our operations and financial results.

Table of Contents

Our operations are subject to hazards that may cause personal injury or property damage, thereby subjecting liabilities and possible losses, which may not be covered by insurance.

Our workers are subject to the usual hazards associated with work in manufacturing environments. Operating ha cause personal injury and loss of life, as well as damage to or destruction of business personal property, and pos environmental impairment. We are subject to either deductible or self-insured retention (SIR) amounts, per clain occurrence, under our Property/Casualty insurance programs, as well as an individual stop-loss limit per claim u group medical insurance plan. We maintain insurance coverage to transfer risk, with aggregate and per-occurren deductible or retention levels that we believe are consistent with industry practice. The transfer of risk through in cannot guarantee that coverage will be available for every loss or liability that we may incur in our operations.

Exposures that could create insured (or uninsured) liabilities are difficult to assess and quantify due to unknown including but not limited to injury frequency and severity, natural disasters, terrorism threats, third-party liability that are incurred but not reported (IBNR). Although we engage third-party actuarial professionals to assist us in our probable future loss exposure, it is possible that claims or costs could exceed our estimates or our insurance could be uninsurable. In such instances we might be required to use working capital to satisfy these losses rather maintain or expand our operations, which could materially and adversely affect our operating results and our fin condition.

Item 1B. ***Unresolved Staff Comments.***

There are no unresolved staff comments outstanding with the Securities and Exchange Commission at this time.

Item 2. ***Properties.***

As of November 1, 2009, we conduct manufacturing operations at the following facilities.

Table of Contents

Facility	Products	Square Feet
Domestic:		
Chandler, Arizona	Doors and related metal components	37,975
Tolleson, Arizona	Metal components(1)	70,956
Atwater, California	Engineered building systems(2)	219,870
Rancho Cucamonga, California	Metal coil coating	111,611
Adel, Georgia	Metal components(1)	78,809
Lithia Springs, Georgia	Metal components(3)	125,081
Douglasville, Georgia	Doors and related metal components	83,775
Marietta, Georgia	Metal coil coating	194,836
Shelbyville, Indiana	Metal components(1)	71,734
Monticello, Iowa	Engineered building systems(4)	232,368
Oskaloosa, Iowa	Metal components(5)	74,771
Nicholasville, Kentucky	Metal components(5)	26,943
Jackson, Mississippi	Metal components(9)	171,790
Jackson, Mississippi	Metal coil coating	354,350
Hernando, Mississippi	Metal components(1)	132,752
Omaha, Nebraska	Metal components(5)	55,460
Rome, New York	Metal components(5)	83,500
Caryville, Tennessee	Engineered building systems(4)	218,430
Elizabethton, Tennessee	Engineered building systems(4)	228,113
Lexington, Tennessee	Engineered building systems(6)	140,504
Memphis, Tennessee	Metal coil coating	65,895
Ennis, Texas	Metal components(1)	68,627
Houston, Texas	Metal components(3)	335,756
Houston, Texas	Metal coil coating	36,509
Houston, Texas	Engineered building systems(4)	497,856
Houston, Texas	Engineered building systems(7)	117,208
Houston, Texas	Doors and related metal components	42,500
Lubbock, Texas	Metal components(1)	95,361
San Antonio, Texas	Metal components(5)	42,400
Stafford, Texas	Metal components(8)	72,504
Salt Lake City, Utah	Metal components(3)	93,508
Spokane, Washington	Engineered building systems(4)	157,000
Foreign:		
Monterrey, Mexico	Engineered building systems(6)	246,075

(1) Secondary structures and metal roof and wall systems.

(2) End walls, secondary structures and metal roof and wall systems for components and engineered building s

(3) Full components product range.

(4) Primary structures, secondary structures and metal roof and wall systems for engineered building systems.

(5) Metal roof and wall systems.

(6) Primary structures for engineered building systems.

(7) Structural steel.

(8) Insulated panel systems.

(9) Closed during fiscal 2008 and 2009 to be retooled to manufacture insulated panel systems.

We also operate six NCI Metal Depots facilities that sell our products directly to the public. In addition, we leas facilities that serve as distribution centers for our sectional doors. We also maintain several drafting office facilit states. We have short-term leases for these additional facilities. We believe that our present facilities are adequat current and projected operations.

Additionally, we own approximately 7 acres of land in Houston, Texas and have a 60,000 square foot facility th our principal executive and administrative offices. We also own approximately 5 acres of land at another locatio adjacent to one of our manufacturing facilities. We own approximately 15 acres of undeveloped land adjacent to facility in Spokane, Washington.

Table of Contents

As a result of the current market downturn, we began a phased process to resize and realign our manufacturing c
The purpose of these closures is to rationalize our least efficient facilities and to retool certain of these facilities
better utilize our assets and expand into new markets or better provide products to our customers, such as insula
systems. As a result of the restructuring, we expect to realize an annualized fixed cost savings in the amount of a
$120 million upon the full implementation of this three phase restructuring plan.

In November 2008, we approved the Phase I plan to close three of our engineered building systems manufacturi
addition, as part of the restructuring, we implemented a general employee reduction program. Specifically, one o
facilities, which was closed during fiscal 2008, is being retooled for use in connection with our insulated panel s
product line. We have incurred facility closure costs of approximately $3.4 million related to these Phase I facili
Most of these expenses were recorded during the first and second quarters of fiscal 2009. We expect only minor
costs as we wind down Phase I of our restructuring plan.

In February 2009, we approved the Phase II plan to close one of our facilities within the engineered building sys
in a continuing effort to rationalize our least efficient facilities. We have incurred facility closure costs of $0.9 m
to this facility. Most of these expenses were recorded during the second quarter of fiscal 2009. We expect only m
additional costs as we wind down Phase II of our restructuring plan.

In April 2009, we approved the Phase III plan to close or idle three of our manufacturing facilities within the en
building systems segment and two facilities within the metal components segment in a continuing effort to ratio
least efficient facilities. In addition, manufacturing at one of our metal components facilities was temporarily su
currently functions as a distribution and customer service site. As part of the restructuring, we also added to the
employee reduction program. We have incurred facility closure costs of approximately $7.0 million related to th
facility closures and expect to incur additional facility closure costs of $1.6 million in fiscal 2010.

During fiscal 2008, we closed our residential door facility in Houston, Texas, and we sold the facility in April 2
fiscal 2007, we closed our manufacturing facility located in Hamilton, Ontario, and we sold the facility in Augus
also sold our Colonial Heights, Virginia facility in August 2007 and built a new, larger facility which was comp
2007. This facility is also located in Colonial Heights, Virginia. During fiscal 2003, we closed our manufacturin
located in Southlake, Texas, which is currently under contract to be sold. We have a new 31,500 square foot offi
Irving, Texas that replaced our office in Southlake, Texas. During fiscal 2002, we closed our manufacturing faci
Chester, South Carolina, and we sold this facility in January 2007.

Item 3. ***Legal Proceedings.***

From time to time, we are involved in various legal proceedings and contingencies considered to be in the ordin
business. While we are not able to predict whether we will incur any liability in excess of insurance coverages o
accurately estimate the damages, or the range of damages, if any, we might incur in connection with these legal
we believe these legal proceedings and claims will not have a material adverse effect on our business, consolida
position or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders.***

Not applicable.

Table of Contents

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Eq Securities.***

PRICE RANGE OF COMMON STOCK

Our common stock is listed on the NYSE under the symbol NCS. As of December 18, 2009, there were 79 ho and an estimated 10,000 beneficial owners of our common stock. The following table sets forth the quarterly hig sale prices of our common stock, as reported by the NYSE, for the prior two fiscal years. We have never paid di our common stock and the terms of our Amended Credit Agreement and ABL Facility restrict our ability to do s

Fiscal Year 2009 Quarter Ended	High
February 1	$ 19.35
May 3	$ 13.26
August 2	$ 7.50
November 1	$ 5.12

Fiscal Year 2008 Quarter Ended	High
January 27	$ 39.90
April 27	$ 34.13
July 27	$ 39.81
November 2	$ 40.95

The following table shows our purchases of our common stock during the fourth quarter of fiscal 2009:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Nu App Dolla Share Yet b Under Pro

August 3, 2009 to August 30, 2009	82	3.72
August 31, 2009 to September 27, 2009		
September 28, 2009 to November 1, 2009	145,530	2.51
Total	145,612	2.51

(1) Our board of directors has authorized a stock repurchase program. Subject to applicable federal securities la purchases occur at times and in amounts that we deem appropriate. Shares repurchased are used primarily f re-issuance in connection with our equity incentive and 401(k) profit sharing plans. On February 28, 2007, announced that our board of directors authorized the repurchase of an additional 1.0 million shares of our c stock. There is no time limit on the duration of the program. Although we did not repurchase any shares of stock during fiscal 2009, we did withhold shares of restricted stock to satisfy tax withholding obligations ar connection with the vesting of awards of restricted stock. At November 1, 2009, there were 0.6 million shar authorized for repurchase under the program.

Table of Contents

STOCK PERFORMANCE CHART

The following chart compares the yearly percentage change in the cumulative stockholder return on our commo
November 1, 2004 to the end of the fiscal year ended November 1, 2009 with the cumulative total return on the
Stock Exchange Index and the Hemscott Industry Group 634 General Building Materials, a peer group. The c
assumes $100 was invested on November 1, 2004 in our common stock and in each of the foregoing indices and
reinvestment of dividends.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG NCI BUILDING SYSTEMS, INC.,
NYSE MARKET INDEX AND HEMSCOTT GROUP INDEX

ASSUMES $100 INVESTED ON NOV. 1, 2004
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING NOV. 1, 2009

In accordance with the rules and regulations of the SEC, the above stock performance chart shall not be deemed
soliciting material or to be filed with the SEC or subject to Regulations 14A or 14C of the Securities Exch
(the Exchange Act) or to the liabilities of Section 18 of the Exchange Act and shall not be deemed to be inco
reference into any filing under the Securities Act of 1933 or the Exchange Act, notwithstanding any general inc
reference of this proxy statement into any other filed document.

Table of Contents

Item 6. ***Selected Financial Data.***

The selected financial data for each of the three fiscal years ended November 1, 2009 and as of November 1, 20
November 2, 2008 has been derived from the audited Consolidated Financial Statements included elsewhere her
selected financial data for each of the two fiscal years ended October 29, 2006 and as of October 28, 2007, Octo
and October 29, 2005 have been derived from audited Consolidated Financial Statements not included herein. T
data should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Conditio
Operations and the audited Consolidated Financial Statements and the notes thereto included under Item 8. F
Statements and Supplementary Data.

	2009	2008(2)	2007	2006
		In thousands, except per share data		
Sales	**$ 967,923**	$ 1,764,159	$ 1,625,068	$ 1,571,183
Net income (loss)	**(746,964)(1)**	78,881(3)	63,729	73,796
Net income (loss) applicable to common shares	(758,677)			
Earnings (loss) per share:				
Basic	**(34.06)**	4.08	3.25	3.70
Diluted	**(34.06)(1)**	4.05(3)	3.06	3.45
Cash flow from operating activities	**95,370**	40,194	137,625	121,514
Total assets	**613,848**	1,380,701	1,343,058	1,299,701
Total debt	**150,249**	474,400	497,037	497,984
Convertible Preferred Stock	**222,815**			
Stockholders equity	**$ 49,665**	$ 623,829	$ 539,696	$ 498,409
Diluted average common shares	**22,013(4)**	19,486	20,793	21,395

(1) Includes goodwill and other intangible asset impairment of $622.6 million ($600.0 million after tax), debt extinguishment and refinancing costs of $100.3 million ($94.1 million after tax), lower of cost or market ch $40.0 million ($25.8 million after tax), change in control charges of $11.2 million ($6.9 million after tax), r charges of $9.1 million ($5.6 million after tax), asset impairments of $6.3 million ($3.9 million after tax), i swap of $3.1 million ($1.9 million after tax) and environmental and other contingencies of $1.1 million ($0 after tax) in fiscal 2009.

(2) Fiscal 2008 includes 53 weeks of operating activity.

(3) Includes executive retirement costs of $2.9 million ($1.8 million after tax), lower of cost or market charge $2.7 million ($1.6 million after tax), restructuring charges of $1.1 million ($0.7 million after tax) and asset of $0.2 million ($0.12 million after tax) in fiscal 2008.

(4) In October 2009, we consummated an exchange offer to acquire all our 2.125% Convertible Senior Subord due 2024 in an exchange for cash and 70.2 million shares of our common stock.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations.***

OVERVIEW

We are one of North America s largest integrated manufacturers and marketers of metal products for the non-re
construction industry. We provide metal coil coating services and design, engineer, manufacture and market met
components and engineered building systems primarily for non-residential construction use. We manufacture an
extensive lines of metal products for the non-residential construction market under multiple brand names throug
nationwide network of plants and distribution centers. We sell our products for both new construction and repair
applications.

Metal components offers builders, designers, architects and end-users several advantages, including lower long-
longer life, attractive aesthetics and design flexibility. Similarly, engineered building systems

offer a number of advantages over traditional construction alternatives, including shorter construction time, mor
of materials, lower construction costs, greater ease of expansion and lower maintenance costs.

We use a 52/53 week year with our fiscal year end on the Sunday closest to October 31. As a result, our fourth q
fiscal 2008 included an additional week of operating activity.

We assess performance across our business segments by analyzing and evaluating (i) gross profit, operating inco
(ii) non-financial efficiency indicators such as revenue per employee, man hours per ton of steel produced and sh
per employee. In assessing our overall financial performance, we regard return on adjusted operating assets, as w
in earnings per share, as key indicators of shareholder value.

Recapitalization Plan and Refinancing Transaction

On October 20, 2009, we issued and sold to the CD&R Funds 250,000 shares of Convertible Preferred Stock for
purchase price of $250.0 million. The Preferred Shares are convertible into shares of our common stock, and rep
of our voting power and common stock on an as-converted basis.

As of December 21, 2009, the Preferred Shares are convertible into 196.1 million shares of common stock, at a c
price of $1.2748. However, as of that date, only approximately 8.4 million shares of common stock were authori
unissued, and therefore the CD&R Funds could not fully convert the Preferred Shares. To the extent that the CD
opt to convert their Preferred Shares, as of December 21, 2009, their conversion right is limited to conversion of
Preferred Shares into the approximately 8.4 million shares of common stock that are currently authorized and un
intend to submit to a shareholder vote, at our annual meeting of shareholders, a proposal to amend the Company
of incorporation to effect a reverse stock split of the common stock of the Company. We expect the shareholders
favor of the reverse stock split at the annual meeting and we expect that, following the completion of the reverse
the CD&R Funds will be able to convert 100% of their Preferred Shares into shares of common stock. During fi
recorded an initial beneficial conversion feature of $10.5 million and the remaining $230.9 million of the benefi
conversion feature will be recognized when the contingency related to the availability of authorized shares is res

Dividends on the Convertible Preferred Stock are payable, on a cumulative daily basis, as, if and when declared
of directors, at a rate per annum of 12% of the liquidation preference of $1,000 per Preferred Share, subject to ad
under certain circumstances, if paid in-kind or at a rate per annum of 8% of the liquidation preference of $1,000
Share, subject to adjustment under certain circumstances, if paid in cash. We have the right to choose whether di
paid in cash or in-kind, subject to the conditions of the Amended Credit Agreement and ABL Facility including
contractually limited in our ability to pay cash dividends until the first quarter of fiscal 2011 under the Amended
Agreement and October 20, 2010 under the ABL Facility, except for certain specified purposes.

Simultaneously with the closing of the Equity Investment, we took the following actions (together with the Equi
Investment, the Recapitalization Plan):

- we refinance our existing credit agreement as in effect prior to such date (the Credit Agreement), whi
mature on June 18, 2010, by repaying approximately $143 million in principal amount of the approximat
$293 million in principal amount then outstanding and amending the terms and extending the maturity o
remaining $150 million balance of the term loans. The Amended Credit Agreement requires quarterly pr
payments of 0.25% of the principal amount of the term loan then outstanding as of the last day of each q
final payment of approximately $131.1 million in principal at maturity on April 20, 2014.

- we entered into the ABL Facility, an asset-based revolving credit facility agreement with a maximum av
amount of up to $125 million which has an additional $50 million incremental credit facility. The ABL F

replaces the revolving credit facility, and letters of credit, subfacility under our Credit Agreement, which
June 18, 2009. The ABL Facility has a maturity of April 20, 2014 and

Table of Contents

includes borrowing capacity of up to $25 million for letters of credit and up to $10 million for swingline

The refinancing of our term loan and our entry into the revolving credit facility are further described in Debt Credit Agreement and Debt ABL Facility below.

In connection with the closing of the Equity Investment, we also completed an exchange offer (the Exchange C acquire the $180 million of our then-outstanding 2.125% Convertible Senior Subordinated Notes due 2024 (the Notes) for an aggregate combination of $90.0 million in cash and 70.2 million shares of common stock. The Ex is further described in Debt Convertible Notes below.

Fiscal 2009 Overview

In fiscal 2009, we survived the deepest decline in non-residential construction in the 44 years since McGraw-Hil compiling data, and we have emerged with a strengthened financial position with the completion of our refinanc have the resources to withstand the continued weakness projected for our markets and to re-start our growth stra committed to significantly re-building the value of our Company over the next several years.

Business conditions in our fourth quarter of fiscal 2009 continued to be difficult, across all our markets. Accordi McGraw-Hill statistics, non-residential construction activity measured in square feet was down 47% in calendar through October 2009, compared to the same period in calendar 2008. Our traditionally strong commercial and i markets were even weaker, down 60% in calendar year to date through October 2009, compared to the same per calendar 2008. At the same time, steel prices in fiscal 2009 declined 34% compared to fiscal 2008.

The AIA s Architectural Billing Index published for October indicated that inquiry levels have somewhat stabil remain positive, but billings are still negative. McGraw-Hill is now forecasting that non-residential construction measured in square feet will be 42% lower in calendar 2009 compared to calendar 2008. Steel prices have increa June of 2009 levels, but were 34% lower in fiscal 2009 than the comparable period of 2008 according to the CR American Steel price index.

Industry Conditions

Our sales and earnings are influenced by general economic conditions, interest rates, the price of steel relative to building materials, the level of non-residential construction activity, roof repair and retrofit demand and the avai cost of financing for construction projects.

The overall decline in economic conditions beginning in the third quarter of 2008 has reduced demand for our p adversely affected our business. In addition, the tightening of credit in financial markets over the same period ha affected the ability of our customers to obtain financing for construction projects. As a result, we have experienc in and cancellations of orders for our products, and the ability of our customers to make payments has been adve affected. Similar factors could cause our suppliers to experience financial distress or bankruptcy, resulting in ter material shortages. The lack of credit also adversely affects non-residential construction, which is the focus of o

Over the same period, there has been significant volatility in the price of steel, the primary raw material in our p process. In fiscal 2009, steel prices decreased at a precipitous rate until July 2009 when steel prices began to inc According to the CRU North American Steel Price Index, steel prices were 36% lower in October 2009 compare October 2008. This unusual level of volatility has negatively impacted our business. First, in the first two quarte 2009, we wrote down inventory to net realizable value given these declines because our sales volume was signif than previously anticipated while raw material prices have declined more rapidly than anticipated. Second, some have delayed projects, waiting to see where steel prices would bottom out.

31

Table of Contents

The uncertainty surrounding future economic activity levels and the tightening of credit availability have resulte
significantly decreased activity levels for our business. During fiscal 2009, our sales volumes were significantly
expectations, primarily in our engineered buildings and components segments. See Liquidity and Capital Re
When we began fiscal 2009, McGraw-Hill was predicting a 12% decline in non-residential construction in 2009
2008. Subsequently, McGraw-Hill revised its forecast further downward and, as of October 2009, was predicting
square-footage decline in non-residential construction activity in 2009 compared to 2008. McGraw-Hill has also
42.2% reduction in low-rise non-residential (less than 5 stories) square-footage starts during fiscal 2009 compar
2008.

As a result of the current market downturn, we began a phased process to resize and realign our manufacturing c
The purpose of these closures is to rationalize our least efficient facilities and to retool certain of these facilities
better utilize our assets and expand into new markets or better provide products to our customers, such as insula
systems. As a result of the restructuring, we expect to realize an annualized fixed cost savings in the amount of a
$120 million upon full implementation of this three phase restructuring plan.

In November 2008, we approved the Phase I plan to close three of our engineered building systems manufacturi
addition, as part of the restructuring, we implemented a general employee reduction program. Specifically, one c
facilities, which was closed during fiscal 2008, is being retooled for use in connection with our insulated panel s
product line. We have incurred facility closure costs of approximately $3.4 million related to these Phase I facili
Most of these expenses were recorded during the first and second quarters of fiscal 2009. We expect only minor
costs as we wind down Phase I of our restructuring plan.

In February 2009, we approved the Phase II plan to close one of our facilities within the engineered building sys
in a continuing effort to rationalize our least efficient facilities. We have incurred facility closure costs of $0.9 m
to this facility. Most of these expenses were recorded during the second quarter of fiscal 2009. We expect only r
additional costs as we wind down Phase II of our restructuring plan.

In April 2009, we approved the Phase III plan to close or idle three of our manufacturing facilities within the eng
building systems segment and two facilities within the metal components segment in a continuing effort to ratio
least efficient facilities. In addition, manufacturing at one of our metal components facilities was temporarily su
currently functions as a distribution and customer service site. As part of the restructuring, we also added to the
employee reduction program. We have incurred facility closure costs of approximately $7.0 million related to th
facility closures and expect to incur additional facility closure costs of $1.6 million in fiscal 2010.

As a result of the management actions taken in the Recapitalization Plan and restructuring plan, we have right si
structure and solidified our liquidity position which we believe will enable us to withstand a sustained downturn
industry.

One of the primary challenges we face both short and long term is the volatility in the price of steel. Our busines
dependent on the price and supply of steel. For the fiscal year ended November 1, 2009, steel represented approx
of our costs of goods sold. The steel industry is highly cyclical in nature, and steel prices have been volatile in re
and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, inclu
economic conditions domestically and internationally, competition, labor costs, production costs, import duties a
trade restrictions. For additional discussion of steel prices, see Item 7A. Quantitative and Qualitative Disclosur
Market Risk.

During the fiscal year ended November 1, 2009, we experienced a significant decrease in the value of our total i
primarily due to the decrease in volume and decreases in the price of steel. During the fiscal year ended Novemb
we experienced significant increases in the value of our total inventory,

32

primarily due to the substantial increases in the price of steel, as well as significant increases in our fuel and tran
costs.

We do not have any long-term contracts for the purchase of steel and normally do not maintain an inventory of s
of our current production requirements. However, from time to time, we may purchase steel in advance of annou
price increases. We can give no assurance that steel will remain available or that prices will not continue to be v
most of our contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a po
increases in the price of steel after the date of the contract but prior to delivery, we may, for competitive or other
be able to pass such price increases along. If the available supply of steel declines, we could experience price inc
we are not able to pass on to the end users, a deterioration of service from our suppliers or interruptions or delay
cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our resu
operations and financial condition. For additional discussion please see Item 1. Business Raw Materials, I
Factors We rely on a few major suppliers for our supply of steel, which makes us more vulnerable to supply c
pricing pressure, as well as the financial condition of those suppliers, Liquidity and Capital Resources St
Item 7A. Quantitative and Qualitative Disclosures About Market Risk Steel Prices.

In assessing the state of the metal construction market, we rely upon various industry associations, third party re
various government reports such as industrial production and capacity utilization. One such industry association
Building Manufacturers Association (MBMA), which provides summary member sales information and pron
and construction of metal buildings and metal roofing systems. Another is McGraw-Hill Construction Informatio
which we look to for reports of actual and forecasted growth in various construction related industries, including
non-residential construction market. McGraw-Hill Construction s forecast for calendar 2010 indicates a total no
construction reduction of 4% in square footage and a reduction of 2% in dollar value prior to increasing in 2011.
Additionally, we review the American Institute of Architects survey for inquiry and billing activity for the indu
commercial and institutional sectors.

Table of Contents

RESULTS OF OPERATIONS

The following table presents, as a percentage of sales, certain selected consolidated financial data for the periods

	Fiscal year ended	
	November 1, 2009	November 2, 2008
Sales	**100.0%**	100.0%
Cost of sales	**77.8**	74.9
Lower of cost or market adjustment	**4.1**	0.2
Asset impairments	**0.7**	
Gross profit	**17.4**	24.9
Selling, general and administrative expenses	**21.6**	16.1
Goodwill and other intangible asset impairments	**64.3**	
Restructuring charge	**0.9**	0.1
Change in control charges	**1.2**	
Income (loss) from operations	**(70.6)**	8.8
Interest income	**0.0**	0.1
Interest expense	**(2.1)**	(1.3)
Debt extinguishment and refinancing costs	**(10.3)**	
Other (expense) income, net	**0.2**	(0.1)
Income (loss) before income taxes	**(82.8)**	7.4
Provision (benefit) for income taxes	**(5.6)**	2.9
Net income (loss)	**(77.2)%**	4.5%

SUPPLEMENTARY BUSINESS SEGMENT INFORMATION

We have aggregated our operations into three reportable segments based upon similarities in product lines, manu processes, marketing and management of our businesses: metal coil coating; metal components; and engineered systems. All business segments operate primarily in the non-residential construction market. Sales and earnings influenced by general economic conditions, the level of non-residential construction activity, metal roof repair a demand and the availability and terms of financing available for construction.

Products of all our business segments use similar basic raw materials. The metal coil coating segment consists o treating, painting and slitting continuous steel coils before the steel is fabricated for use by construction and indu The metal components segment products include metal roof and wall panels, doors, metal partitions, metal trim related accessories. The engineered building systems segment includes the manufacturing of main frames, Long Systems and value-added engineering and drafting, which are typically not part of metal components or metal co products or services. The reporting segments follow the same accounting policies used for our Consolidated Fin Statements.

We evaluate a segment s performance based primarily upon operating income before corporate expenses. Inters
are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of
(i) hot-rolled, light gauge painted, and slit material and other services provided by the metal coil coating segmen
metal components and engineered building systems segments; (ii) building components provided by the metal co
segment to the engineered building systems segment; and (iii) structural framing provided by the engineered bui
segment to the metal components segment.

Table of Contents

Corporate assets consist primarily of cash but also include deferred financing costs, deferred taxes and property,
equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related t
are not allocated to the business segments. Segment information is included in Note 25 of our Consolidated Fina
Statements.

The following table represents sales, operating income and total assets attributable to these business segments fo
indicated (in thousands, except percentages):

	2009	%	2008	%	2007
Sales:					
Metal coil coating	**$ 169,897**	**18**	$ 305,657	17	$ 272,54
Metal components	**458,734**	**47**	715,255	41	663,33
Engineered building systems	**541,609**	**56**	1,110,534	63	1,021,54
Intersegment sales	**(202,317)**	**(21)**	(367,287)	(21)	(332,35
Total net sales	**$ 967,923**	**100**	$ 1,764,159	100	$ 1,625,06
Operating income (loss):					
Metal coil coating	**$ (99,631)**		$ 29,381		$ 25,13
Metal components	**(129,975)**		82,094		49,60
Engineered building systems	**(389,309)**		107,851		113,26
Corporate	**(64,583)**		(64,616)		(56,27
Total operating income (loss) (% of sales)	**$ (683,498)**		$ 154,710		$ 131,73
Unallocated other expense	**(117,990)**		(24,330)		(26,90
Income (loss) before income taxes	**$ (801,488)**		$ 130,380		$ 104,82
Total assets as of fiscal year end 2009 and 2008:					
Metal coil coating	**$ 57,208**	**9**	$ 196,615	14	
Metal components	**159,690**	**26**	371,464	27	
Engineered building systems	**241,260**	**39**	716,671	52	
Corporate	**155,690**	**26**	95,951	7	
Total assets	**$ 613,848**	**100**	$ 1,380,701	100	

RESULTS OF OPERATIONS FOR FISCAL 2009 COMPARED TO FISCAL 2008

Consolidated sales for fiscal 2009 decreased 45.1%, or $796.2 million, from fiscal 2008. This decrease resulted
decrease in external tonnage volumes, partially offset by higher relative sales prices as a result of higher steel co
engineered building systems and metal components segments. Lower tonnage volumes in all three of our segme
2009 compared with fiscal 2008 were driven by reduced demand for such products which is affirmed by the 42.
in low-rise non-residential (less than 5 stories) square-footage starts as reported by McGraw Hill during fiscal 2
with fiscal 2008.

Consolidated cost of sales decreased by 43.1% for fiscal 2009 compared to fiscal 2008. Gross margins were 17.
2009 compared to 24.9% for the prior fiscal year. During fiscal 2009, we recorded a $40.0 million inventory adj
which accounted for 4.1% of the reduction in the gross margin percentage, to adjust the carrying amount on cert

material inventory to the lower of cost or market because this inventory exceeded our current estimates of net re
less normal profit margins. Although we have taken steps to reduce our variable and fixed costs throughout the y
decreased across all three segments due to increased price competition and allocation of fixed costs over substan
sales. In addition, we recorded a $6.3 million asset impairment charge, which accounted for 0.6% of the reductio

gross margin percentage, for certain assets primarily within the engineered building systems segment and at our
operations.

Metal coil coating sales decreased 44.4%, or $135.8 million to $169.9 million in fiscal 2009, compared to $305.
the prior fiscal year. Sales to third parties for fiscal 2009 decreased 45.1% to $53.2 million from $97.0 million in
fiscal year as a result of a 16.1% decrease in external tonnage volumes, a 19.9% decrease in sales prices, and a s
product mix from package sales of coated steel products to toll processing revenue for coating services. These re
primarily driven by reduced demand and increased competition in the market resulting from the general weakne
non-residential construction activity in fiscal 2009. In addition, there was a $92.0 million decrease in intersegme
during fiscal 2009 compared with fiscal 2008, which represents a 44.1% reduction in intersegment volume. Met
third-party sales accounted for 5.5% of total consolidated third-party sales in both fiscal 2009 and 2008.

Operating income (loss) of the metal coil coating segment decreased in fiscal 2009 to a loss of $(99.6) million, c
income of $29.4 million in the prior fiscal year primarily due to goodwill and other intangible asset impairments
$99.0 million, an incremental $5.4 million charge to adjust inventory to lower of cost or market, and a remaining
$26.3 million decrease in gross profit due to the declines in volumes and relative sales prices discussed above. T
margins were lower primarily due to lower relative sales prices than in the prior year, a 16.1% decrease in tonna
on sales to third parties compared to the prior year, and a 38.5% decrease in intersegment tonnage sold compare
year. In addition, operating income in fiscal 2008 included an out of period pretax charge of $0.9 million to corr
work-in-process standard costs.

Metal components sales decreased 35.9%, or $256.5 million to $458.7 million in fiscal 2009, compared to $715.
the prior fiscal year. Sales were down primarily due to a 30.5% decrease in external tons shipped compared to th
Sales to third parties for fiscal 2009 decreased $210.9 million to $389.1 million from $600.0 million in the prior
The remaining $45.6 million represents a similar decrease in intersegment sales. These results are primarily driv
reduced demand and increased competition in the market resulting from the general weakness of non-residential
activity in 2009. Metal components third-party sales accounted for 40.2% of total consolidated third-party sales
compared to 34.0% in fiscal 2008.

Operating income (loss) of the metal components segment decreased in fiscal 2009 to a loss of $(130.0) million,
income of $82.1 million in the prior fiscal year. This $212.1 million decrease resulted from charges related to go
other intangible asset impairments of $147.2 million, a $17.2 million inventory lower of cost or market adjustme
$0.3 million increase in restructuring charges, and a remaining $60.3 million decrease in gross profit due to the
volumes and relative sales prices noted above, all partially offset by a $13.7 million decrease in selling and adm
expenses. We have recorded restructuring charges of $1.3 million in fiscal 2009 related to the closure of one of
manufacturing plants compared to restructuring charges of $1.0 million in fiscal 2008 to exit our residential ove
product line. The $13.4 million decrease in selling and administrative expenses was primarily due to a $10.2 mil
in wage and benefit costs due to lower headcount and incentive compensation and across the board decreases in
expenses in response to the lower levels of business activity.

Engineered building systems sales decreased 51.2%, or $568.9 million to $541.6 million in fiscal 2009, compare
$1.11 billion in the prior fiscal year. This decrease resulted from a 52.1% decrease in external tons shipped, part
slightly higher average sales prices. Sales to third parties for fiscal 2009 decreased $541.6 million to $525.6 mill
$1.07 billion in the prior fiscal year. Intersegment sales decreased by $27.3 million compared to fiscal 2008. The
primarily driven by reduced demand, increased competition in the market, and the impact of the significant rise
in the second half of fiscal 2008 that declined throughout fiscal 2009. Engineered building systems third-party s
accounted for 54.3% of total consolidated third-party sales in fiscal 2009 compared to 60.5% in fiscal 2008.

Operating income (loss) of the engineered building systems segment decreased in fiscal 2009 to a loss of $(389.
compared to income of $107.9 million in the prior fiscal year. This $497.2 million decrease resulted from charg
goodwill and other intangible asset impairments of $376.4 million,

restructuring charges of $7.4 million in fiscal 2009, a $14.7 million inventory lower of cost or market adjustmen
$4.2 million asset impairment charge and a remaining $141.0 million decrease in gross profit due to the declines
and relative sales prices noted above, partially offset by a $46.5 million decrease in selling and administrative ex
$46.5 million decrease in selling and administrative expenses was primarily due to a $40.9 million decrease in w
benefit costs and temporary labor costs due to lower headcount and lower incentive compensation and across the
decreases in other various expenses in response to the lower levels of business activity.

Consolidated selling, general and administrative expenses, consisting of engineering, drafting, selling and admi
costs, decreased to $209.6 million in fiscal 2009 compared to $283.6 million in the prior fiscal year. The decreas
and administrative expenses was primarily due to a $59.3 million decrease in wage and benefit costs and tempor
costs due to lower headcount and lower incentive compensation. We also had a $2.9 million decrease in executiv
costs due primarily to accelerated vesting of certain restricted stock grants of former executives upon retirement
2008. The remaining decrease was the result of a $2.5 million decrease in pre-tax share-based compensation cos
$2.2 million decrease in bad debt expense, a $1.7 million decrease in travel and entertainment costs, a $1.6 milli
in advertising costs and decreases in other various expenses due to managed lower levels of activity. As a percen
selling, general and administrative expenses were 21.7% for fiscal 2009 compared to 16.1% for fiscal 2008.

Consolidated goodwill and other intangible asset impairment was $622.6 million in fiscal 2009 compared with n
recorded in the prior fiscal year. This increase impacted all three of our reporting segments and was the result of
of our future cash flow projections in the first quarter of fiscal 2009, our lowering projected cash flows and impl
Phase III of our restructuring plan in the second quarter of fiscal 2009.

Consolidated restructuring charge increased to $9.1 million in fiscal 2009 compared with $1.1 million in the pri
period. This increase was primarily related to our plan to close six of our engineered building systems manufactu
The purpose of these closures was to rationalize our least efficient facilities and to retool certain of these facilitie
to better utilize our assets and expand into new markets or better provide products to our customers. The $0.9 m
in the prior year was related to the plan to exit our residential overhead door product line, included in our metal c
segment.

Consolidated change in control charges for fiscal 2009 in the amount of $11.2 million related primarily to $9.1
share-based compensation expense upon the accelerated vesting of our stock incentive plans upon the change in
our Company. We also incurred a $1.5 million charge related to a new director and officer insurance policy upon
change of our board of directors.

Consolidated interest income for fiscal 2009 decreased by 63.8% to $0.4 million, compared to $1.1 million for t
year. This decrease was primarily due to lower interest rates on our cash balances during fiscal 2009 compared t
fiscal year.

Consolidated interest expense for fiscal 2009 decreased by 13.3% to $20.4 million, compared to $23.5 million fo
fiscal year. Lower market interest rates reduced the interest expense associated with the variable portion of our c
debt, partially offset by a $3.1 million charge related to our interest rate swap contract. In connection with our 20
refinancing, we concluded the interest rate swap agreement was no longer an effective hedge, based on the modi
the Amended Credit Agreement which includes a 2% LIBOR floor. As a result, we have reclassified to interest e
remaining deferred losses previously recorded to accumulated other comprehensive income (loss).

Consolidated provision for income taxes for fiscal 2009 decreased to a benefit of $(54.5) million, compared to a
$51.5 million for the prior fiscal year. The decrease was primarily due to a $931.8 million decrease in pre-tax ea
The effective tax rate for fiscal 2009 was 6.8% compared to 39.5% for the prior fiscal year. This decrease was pr
to non-deductible goodwill impairment costs and the non-deductible premium on the retirement of our Convertib

Consolidated debt extinguishment and refinancing costs for fiscal 2009 were $100.3 million and related to our r
which was completed on October 20, 2009. These costs primarily consisted of $84.5 million related to debt exti
our Convertible Notes, $6.4 million related to payments to non-creditors on the modification of our Credit Agre
$4.8 million of costs related to our abandoned plan for pre-packaged bankruptcy and $3.5 million related to the
the remaining deferred financing costs on our Convertible Notes.

Consolidated convertible preferred stock dividends and accretion for fiscal 2009 was $1.2 million and related p
$1.1 million of accrued dividends on the Convertible Preferred Stock which accrues and accumulates on a daily
accrued for the last thirteen days of fiscal 2009 at the 12% paid in-kind rate.

Consolidated convertible preferred stock beneficial conversion feature for fiscal 2009 was $10.5 million and re
beneficial conversion feature on the Convertible Preferred Stock because it was issued with a conversion price o
common share equivalent and the closing stock price per common share just prior to the execution of the Equity
was $2.51. Because only 8.2 million of the potentially 196.1 million common shares, if converted, are authorize
unissued at November 1, 2009, only $10.5 million of the beneficial conversion feature is recognized in fiscal 20

Diluted earnings per share for fiscal 2009 decreased to a loss of $(34.06) per diluted share, compared to earning
per diluted share for the prior fiscal year. The decrease was primarily due to an $837.5 million decrease in net in
applicable to common shares resulting from the factors described above. In addition, the weighted average numb
common shares outstanding increased by 2.5 million due to the completion of our Convertible Notes exchange o
last month of our fiscal year. In connection with the exchange offer, we issued 70.2 million common shares. In a
Convertible Notes exchange offer, our 2009 refinancing transaction included the issuance of $250 million of Se
Convertible Preferred Stock which required the use of the two-class method in determining diluted earnings p
not increase the weighted average number of common shares outstanding. The Convertible Preferred Stock will
convertible into 196.1 million common shares and will only be included in the weighted average common share
under the if-converted method which is required when it results in a lower earnings per share than determine
two-class method.

RESULTS OF OPERATIONS FOR FISCAL 2008 COMPARED TO FISCAL 2007

Consolidated sales for fiscal 2008 increased 8.6%, or $139.1 million, over fiscal 2007. Of this increase, $180.3
related to increased pricing on increased steel costs and $18.6 million was attributable to the Garco acquisition.
increases were partially offset by a 5.6% decrease in tonnage volumes in all three of our segments in fiscal 2008
with fiscal 2007, which were driven by reduced demand for such products resulting from the 17.5% reduction in
non-residential square footage starts as reported by McGraw Hill.

Consolidated cost of sales increased by 8.5% for fiscal 2008 compared to fiscal 2007. Gross margins were 24.9
2008 compared to 24.8% for the prior fiscal year. The gross margin percentage was higher as a result of increase
the metal components and metal coil coating segments, partially offset by decreased margins at the engineered b
systems segments.

Metal coil coating sales increased $33.1 million to $305.7 million in fiscal 2008, compared to $272.5 million in
fiscal year. Sales to third parties for fiscal 2008 increased 16.0% to $97.0 million from $83.6 million in the prior
a result of a shift in product mix from toll processing sales for coating services to package sales of coated steel p
increased pricing on higher raw material costs, partially offset by an 11.4% decrease in external tonnage volume
sales of coated steel products contribute lower margin dollars per ton compared to toll processing sales, as a perc
revenue. The dominant component of the price in package sales is steel which only allows for a minimal mark-u
remaining $19.7 million represents an increase in intersegment sales. Metal coil coating third-party sales accoun
of total consolidated third-party sales in fiscal 2008 compared with 5.1% in fiscal 2007.

Operating income of the metal coil coating segment increased by 16.8% to $29.4 million, compared to $25.1 mi
prior fiscal year primarily due to increased gross profit. The margins increased primarily due to higher sales pric
offset by higher costs. During fiscal 2008, we recorded a charge to cost of sales to reduce the carrying amount o
material inventory to the lower of cost or market in the amount of $2.7 million. In addition, operating income in
of period pretax charge of $0.9 million to correct work-in-process standard costs in our metal coil coating segme
percentage of total segment sales, operating income in fiscal 2008 was 9.6% compared to 9.2% in fiscal 2007.

Metal components sales increased $51.9 million to $715.3 million in fiscal 2008, compared to $663.3 million in
fiscal year. Sales were up primarily due to increased pricing on account of increased raw material costs, partially
6.5% decrease in external tons shipped. Sales to third parties for fiscal 2008 increased $38.4 million to $600.0 m
$561.6 million in the prior fiscal year. The remaining $13.5 million represents an increase in intersegment sales.
components third-party sales accounted for 34.0% of total consolidated third-party sales in fiscal 2008 compared
fiscal 2007.

Operating income of the metal components segment increased by 65.5% in fiscal 2008 to $82.1 million, compar
$49.6 million in the prior fiscal year. This $32.5 million increase resulted from a $32.3 million increase in gross
$0.2 million decrease in selling and administrative expenses. The gross margins were higher due to increased pr
compared to the prior fiscal year, which had been depressed due to an over abundance of steel inventory in the m
time, and due to our ability to effectively manage our raw material and manufacturing costs. In addition, we incu
of $1.7 million in cost of sales related to the exit of our residential overhead door product line, which were partia
a $1.0 million gain on the disposition of related property and equipment. Cost of sales also included an offset of
$1.0 million out-of-period reversal of amounts previously recorded in accounts payable related to inventory rece
invoiced.

Engineered building systems sales increased $89.0 million to $1.11 billion in fiscal 2008, compared to $1.02 bil
prior fiscal year. This increase resulted from increased pricing as a result of increased steel costs and by sales of
attributable to the Garco acquisition. Sales to third parties for fiscal 2008 increased $87.3 million to $1.07 billion
$0.98 billion in the prior fiscal year. Intersegment sales increased by $1.7 million compared to fiscal 2007. Engi
building systems third-party sales accounted for 60.5% of total consolidated third-party sales in fiscal 2008 com
60.3% in fiscal 2007.

Operating income of the engineered building systems segment decreased 4.8% in fiscal 2008 to $107.9 million,
$113.3 million in the prior fiscal year. This $5.4 million decrease resulted from a $1.5 million decrease in gross
$3.9 million increase in selling and administrative expenses. Although gross profit was relatively flat, gross mar
lower due to increased raw material costs, primarily related to steel price increases as well as a 3.9% decrease in
organic tons shipped. In addition, the Garco acquisition partially offset the decrease in gross margins and accoun
$5.7 million in gross profit. The increase in selling and administrative expenses was primarily due to a $3.1 mill
as a result of the Garco acquisition, a $2.2 million increase in bonus expense on higher consolidated profit activi
$1.9 million increase in 401(k) matching costs. This increase was partially offset by a $1.6 million decrease in d
and amortization costs due to intangible assets being fully amortized and a $1.0 million decrease in advertising c

Consolidated selling, general and administrative expenses, consisting of engineering, drafting, selling and admi
costs, increased to $283.8 million in fiscal 2008 compared to $271.9 million in the prior fiscal year. Of this $11.
increase, $5.2 million related to bonus expense on higher profit activity and $3.1 million related to the Garco ac
addition, $2.9 million related to the accelerated vesting of certain benefits and restricted stock grants of former e
upon retirement. The remaining increase related to a $2.5 million increase in partially self-insured health insura
$2.3 million increase in bad debt expense and $2.0 million increase in wages and increases in other various expe
increases were partially offset by reductions of $2.1 million in workers compensation and general liability insura
$1.4 million in advertising costs, $1.3 million in stock compensation costs, $1.2 million in compensation costs r

deferred compensation plan and $1.2 million in amortization and depreciation due to certain

Table of Contents

intangible costs being fully amortized. As a percentage of sales, selling, general and administrative expenses we
fiscal 2008 compared to 16.7% for fiscal 2007.

Consolidated interest income for fiscal 2008 increased by 49.7% to $1.1 million, compared to $0.7 million for t
year. This increase was primarily due to higher invested cash balances during fiscal 2008 compared to the prior

Consolidated interest expense for fiscal 2008 decreased by 18.4% to $23.5 million, compared to $28.8 million f
fiscal year. We repaid $21.7 million of the loans under our Credit Agreement in January 2008. In addition, lowe
interest rates reduced the interest expense associated with the variable portion of our outstanding debt. During J
entered into an interest rate swap agreement relating to $160 million of the $400 million principal term loans un
Agreement to manage our risk associated with changing interest rates.

Consolidated provision for income taxes for fiscal 2008 increased by 25.3% to $51.5 million, compared to $41.
the prior fiscal year. The increase was primarily due to a $25.6 million increase in pre-tax earnings and the incre
effective tax rate. The effective tax rate for fiscal 2008 was 39.5% compared to 39.2% for the prior fiscal year. T
was due to an increase of the deferred tax asset and corresponding valuation allowance related to our Canadian
partially offset by a statutory increase in the rate for the production activities deduction.

Diluted earnings per share for fiscal 2008 increased by 32.4% to $4.05 per diluted share, compared to $3.06 pe
for the prior fiscal year. The increase was primarily due to a $15.2 million increase in net income resulting from
described above and a decrease in the number of weighted average shares assumed to be outstanding in the dilut
per share calculation. There was no dilution effect of the Convertible Notes in fiscal 2008 compared to a $0.15 p
dilution effect in fiscal 2007.

LIQUIDITY AND CAPITAL RESOURCES

General

On November 1, 2009, we had working capital of $140.5 million compared to $230.7 million at the end of fisca
$90.2 million decrease. The decrease in working capital was primarily due to reduced needs for working capital
on lower business activity levels and reduced transactional prices for inventory leading up to the end of the fisca
reduction in working capital was offset by the development of an income tax receivable generated during the pe
from the taxable losses incurred. During the fiscal year, our cash and cash equivalents increased $22.2 million to
$90.4 million at the end of fiscal 2009 from $68.2 million at the end of fiscal 2008. The increase in cash resulte
$95.4 million of cash provided by operating activities, partially offset by $19.1 million of cash used in investing
$54.0 million of cash used in financing activities. The cash provided by operating activities was impacted by a $
reduction in current working capital and non-current assets and $42.9 million cash generated from operating act
cash used in investing activities was primarily related to $21.7 million used for capital expenditures predominan
new IPS facilities and computer software. The cash used in financing activities was primarily impacted by the
Recapitalization Plan where the proceeds from the issuance of the Convertible Preferred Stock of $250.0 millio
utilized to repay $90.0 million of the Convertible Notes and $143.3 million in connection with the Amended Cr
Agreement. In addition, we paid $54.7 million in transaction costs to complete the Recapitalization Plan.

We invest our excess cash in various overnight investments.

Debt

Capital Structure. On October 20, 2009 (the Closing Date), we closed the $250 million Equity Investment.
Equity Investment, the CD&R Funds own 250,000 shares of Convertible Preferred Stock, representing approxi

of the voting power and common stock of the Company on an as-converted basis. Simultaneously with the closi
Equity Investment,

40

we refinanced our existing credit agreement as in effect prior to such date (the Credit Agreement), wh
mature on June 18, 2010, by repaying approximately $143 million in principal amount of the approximat
$293 million in principal amount then outstanding and amending the terms and extending the maturity of
remaining $150 million balance of the term loans. The Amended Credit Agreement, our amended term lo
quarterly principal payments of 0.25% of the principal amount of the term loan then outstanding as of the
each quarter and a final payment of approximately $131.1 million in principal at maturity on April 20, 20

we entered into the ABL Facility, an asset-based revolving credit facility agreement, with a maximum av
amount of up to $125 million which has an additional $50 million incremental credit facility. The ABL F
replaces the revolving credit facility and letters of credit subfacility under our Credit Agreement, which e
June 18, 2009. The ABL Facility has a maturity of April 20, 2014 and includes borrowing capacity of up
$25 million for letters of credit and up to $10 million for swingline borrowings.

we completed the Exchange Offer to acquire the $180 million of our then-outstanding Convertible Notes
aggregate combination of $90.0 million in cash and 70.2 million shares of common stock.

Amended Credit Agreement. The term loans under the Amended Credit Agreement will mature on April 20, 201
and six months from the Closing Date and, prior to that date, will amortize in nominal quarterly installments equ
of the principal amount of the term loan then outstanding as of the last day of each quarter.

The Company s obligations under the Amended Credit Agreement and any interest rate protection agreements o
permitted hedging agreement entered into with any lender under the Amended Credit Agreement are irrevocably
unconditionally guaranteed on a joint and several basis by each direct and indirect domestic subsidiary of the Co
than any domestic subsidiary that is a foreign subsidiary holding company or a subsidiary of a foreign subsidiary
obligations under the Amended Credit Agreement and the permitted hedging agreements and the guarantees ther
secured pursuant to a guarantee and collateral agreement, dated as of October 20, 2009, made by the Company a
grantors (as defined therein), in favor of the term loan administrative agent and term loan collateral agent, by (i)
capital stock of all direct domestic subsidiaries owned by the Company and the guarantors, (ii) up to 65% of the
of certain direct foreign subsidiaries of the Company or any guarantor (it being understood that a foreign subsidi
company or a domestic subsidiary of a foreign subsidiary will be deemed a foreign subsidiary) and (iii) substant
tangible and intangible assets owned by the Company and each guarantor, in each case to the extent permitted by
law and subject to certain exceptions.

The Amended Credit Agreement contains a number of covenants that, among other things, limit or restrict the ab
Company and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, pre
indebtedness, make dividends and other restricted payments, create liens, make investments, make acquisitions,
mergers, change the nature of their business and engage in certain transactions with affiliates.

The Amended Credit Agreement has no financial covenant test until the conclusion of the fourth quarter of fisca
which time the maximum ratio of total debt to Consolidated EBITDA is 5 to 1. This ratio steps down by 0.25 ea
until October 28, 2012 at which time the maximum ratio is 4 to 1. The ratio continues to step down by 0.125 eac
until November 3, 2013, to a ratio of 3.5 to 1, which remains the maximum ratio for each fiscal quarter thereafte
however, not be subject to this financial covenant with respect to a specified period if certain prepayments or rep
the term loans under the Amended Credit Agreement are made in the specified period.

Borrowings under the Amended Credit Agreement may be repaid at any time, without premium or penalty but s
customary LIBOR breakage costs. We also have the ability to repurchase a portion of the term loans under the A
Credit Agreement, subject to certain terms and conditions set forth in the

Table of Contents

Amended Credit Agreement. In addition, subject to certain exceptions, the term loans under the Amended Credi
are subject to mandatory prepayment and reduction in an amount equal to:

the net cash proceeds of (1) certain asset sales, (2) certain debt offerings and (3) certain insurance recove
condemnation events;

50% of annual excess cash flow (as defined in the Amended Credit Agreement) for any fiscal year endin
October 31, 2010, unless a specified leverage ratio target is met; and

the greater of $10.0 million and 50% of certain 2009 tax refunds (as defined in the Amended Credit Agre
received by the Company.

We expect to make a mandatory prepayment on the Amended Credit Agreement in May 2010 in connection wit
tax refund. Therefore, an additional $12.9 million of principal under the Amended Credit Agreement has been c
current portion of long-term debt in our Consolidated Balance Sheet at November 1, 2009.

Term loans under the Amended Credit Agreement bear interest, at our option, as follows:

(1) Base Rate loans at the Base Rate plus a margin, which for term loans is 5% until October 30, 2011. After tha
margin fluctuates based on our leverage ratio and shall be either 5% or 3.5%. For revolving loans, the Base Rate
based on our leverage ratio and ranges from 0.25% to 1.25%. As of the first fiscal quarter commencing January
margin in each case increases by 0.25% per annum on the first day of each fiscal quarter unless the aggregate pr
amount of loans outstanding under the Amended Credit Agreement in the immediately preceding fiscal quarter o
Company has been reduced by $3,750,000 (excluding scheduled principal amortization payments), less any prio
not previously applied to prevent an increase in the applicable margin, and

(2) LIBOR loans at LIBOR (having a minimum rate of 2%) plus a margin, which for term loans is 6% until Octo
After that date, the LIBOR-linked margin fluctuates based on our leverage ratio and shall be either 6% or 4.5%.
fiscal quarter commencing January 30, 2012, the margin in each case increases by 0.25% per annum on the first
fiscal quarter unless the aggregate principal amount of term loans outstanding under the Amended Credit Agreem
immediately preceding fiscal quarter of the Company has been reduced by $3,750,000 (excluding scheduled prin
amortization payments), less any prior reductions not previously applied to prevent an increase in the applicable

Overdue amounts will bear interest at a rate that is 2% higher than the rate otherwise applicable. Base rate is
highest of the Wachovia Bank, National Association prime rate, the overnight Federal Funds rate plus 0.5% and
LIBOR is defined as the applicable London interbank offered rate adjusted for reserves.

ABL Facility. The ABL Facility provides for an asset-based revolving credit facility which allows aggregate ma
borrowings by the Company of up to $125.0 million. Borrowing availability on the ABL Facility is determined b
borrowing base collateral calculation that is based on specified percentages of the value of qualified cash, eligib
and eligible accounts receivable, less certain reserves and subject to certain other adjustments. At November 1, 2
excess availability under the ABL Facility was $70.4 million.

An unused commitment fee is paid monthly on the ABL Facility at an annual rate of 1% through May 1, 2010 a
at 1% or, if the average daily balance of the loans and letters of credit obligations for a given month is higher tha
maximum credit then available, 0.75%. The calculation is determined on the amount by which the maximum cre
the average daily principal balance of outstanding loans and letter of credit obligations. Additional customary fe
connection with the ABL Facility also apply.

The obligations under the ABL Facility, and the guarantees therefore, are secured by a first priority lien on our a
receivable, inventory, certain deposit accounts, and our associated intangibles, subject to

---

certain exceptions, and a second priority lien on the assets securing the term loans under the Amended Credit Ag
first-lien basis.

Our obligations under the ABL Facility are guaranteed by the Company and each direct and indirect domestic su
the Company (other than any domestic subsidiary that is a foreign subsidiary holding company or a subsidiary o
subsidiary) that is not a borrower under the ABL Facility. The obligations of the Company under certain specifie
products agreements are guaranteed by each borrower and each other direct and indirect domestic subsidiary of
and the other guarantors. These guarantees are made pursuant to a guarantee agreement, dated as of October 20,
into by the Company and each other guarantor with Wells Fargo Foothill, LLC, as administrative agent.

In addition, the obligations under the ABL Facility and the guarantees thereof are secured pursuant to a pledge a
dated as of October 20, 2009, made by the Company and other pledgors (as defined therein), in favor of Wells F
LLC, as administrative agent, by (i) all of the capital stock of all direct domestic subsidiaries owned by the Com
pledgors and (ii) up to 65% of the capital stock of certain direct foreign subsidiaries owned by the Company or a
(it being understood that a foreign subsidiary holding company or a domestic subsidiary of a foreign subsidiary
deemed a foreign subsidiary).

The ABL Facility contains a number of covenants that, among other things, limit or restrict our ability to dispose
incur additional indebtedness, incur guarantee obligations, engage in sale and leaseback transactions, prepay oth
indebtedness, modify organizational documents and certain other agreements, create restrictions affecting subsic
dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, c
nature of their business and engage in certain transactions with affiliates.

Under the ABL Facility, a Dominion Event occurs if either an event of default is continuing or excess availab
certain levels, during which period, and for certain periods thereafter, the administrative agent may apply all am
Company s concentration account to the repayment of the loans outstanding under the ABL Facility, subject to
Intercreditor Agreement. In addition, during such Dominion Event, we are required to make mandatory payment
ABL Facility upon the occurrence of certain events, including the sale of assets and the issuance of debt, in each
to certain limitations and conditions set forth in the ABL Facility. If excess availability under the ABL Facility f
certain levels, our ABL Facility also requires us to satisfy set financial tests relating to our fixed charge coverage

The ABL Facility includes a minimum fixed charge coverage ratio of one to one, which will apply if we fail to r
specified minimum level of borrowing capacity.

Loans under the ABL Facility bear interest, at our option, as follows:

(1) Base Rate loans at the Base Rate plus a margin, which shall be 3.50% through April 30, 2010 and shall there
from 3.25% to 3.75% depending on the quarterly average excess availability under such facility, and

(2) LIBOR loans at LIBOR plus a margin, which shall be 4.50% through April 30, 2010 and shall thereafter rang
4.25% to 4.75% depending on the quarterly average excess availability under such facility.

During an event of default, loans under the ABL Facility will bear interest at a rate that is 2% higher than the rat
applicable. Base rate is defined as the highest of the Wells Fargo Bank, N.A. prime rate or the overnight Fede
plus 0.5% and LIBOR is defined as the applicable London interbank offered rate adjusted for reserves.

Intercreditor Agreement. The liens securing the obligations under the Amended Credit Agreement, the permitte
agreements and the guarantees thereof are first in priority (as between the Amended Credit Agreement and the A
with respect to stock, material real property and assets other than accounts receivable, inventory, certain deposit

associated intangibles and certain other property of the

Company and the guarantors, subject to certain exceptions. Such liens are second in priority (as between the Am
Agreement and the ABL Facility) with respect to accounts receivable, inventory, certain deposit accounts, assoc
intangibles and certain other property of the Company and the guarantors, subject to certain exceptions. The det
respective collateral rights between lenders under the Amended Credit Agreement and lenders under the ABL F
governed by an intercreditor agreement, dated as of the Closing Date, among the borrowers, the term loan admi
agent, the ABL Facility administrative agent and the other parties thereto.

Convertible Notes. In connection with the Equity Investment, we completed the Exchange Offer to acquire $18
aggregate principal amount of Convertible Notes. Approximately 99.9% of the outstanding Convertible Notes w
in the Exchange Offer, and holders of Convertible Notes received $500 in cash and 390 shares of common stock
Company for each $1,000 principal amount of Convertible Notes tendered. The proceeds of the Equity Investme
to pay the cash portion of the Exchange Offer, in an amount of $90.0 million. At November 1, 2009, we had reti
approximately $0.06 million of the Convertible Notes.

On December 9, 2009, we gave to holders of Convertible Notes irrevocable notice of our intent to redeem the $0
of remaining Convertible Notes on December 29, 2009. As of December 9, 2009 until December 28, 2009, at th
any holder of Convertible Notes, we are required to convert the principal amount of such holder s Convertible N
portion of such principal amount that is a multiple of $1,000, into cash and fully paid shares of common stock o
Company, in accordance with the terms, procedures and conditions outlined in the indenture pursuant to which t
Convertible Notes were issued. As of November 1, 2009, the conversion rate for the Convertible Notes was 24.9
common stock per $1,000 in principal amount of the Convertible Notes. The terms of our Amended Credit Agre
our ABL Facility require us to redeem the Convertible Notes by January 15, 2010. We expect to redeem the Co
Notes by January 15, 2010, but if for any reason, we do not redeem the Convertible Notes by January 15, 2010,
constitute an event of default under both our Amended Credit Agreement and our ABL Facility.

Interest on the Convertible Notes is not deductible for income tax purposes, which creates a permanent tax diffe
reflected in our effective tax rate. For more information, see Note 17 to our Consolidated Financial Statements u
Financial Statements and Supplementary Data. The Convertible Notes are general unsecured obligations and a
to our present and future senior indebtedness.

Interest Rate Swap

On June 15, 2006, we entered into a forward interest rate swap transaction (the Swap Agreement) hedging a p
$400 million variable rate term loan under our Credit Agreement with a notional amount of $160 million beginn
October 11, 2006. The notional amount decreased to $145 million on October 11, 2007, decreased to $105 milli
October 14, 2008 and decreased again to $65 million on October 13, 2009. The term of the Swap Agreement is f
ending in June 2010. Under the Swap Agreement, we will pay a fixed rate of 5.55% on a quarterly basis in exch
receiving floating rate payments based on the three-month LIBOR rate. We are exposed to interest rate risk asso
fluctuations in the interest rates on our variable interest rate debt.

The fair value of the Swap Agreement as of November 1, 2009 and November 2, 2008, was a liability of approx
$2.2 million and $3.9 million, respectively, and is included in other accrued expenses in the Consolidated Balan
fair value of the Swap Agreement excludes accrued interest and takes into consideration current interest rates an
creditworthiness of us or the counterparty, as applicable. Fair value estimates presented for the Swap Agreemen
determined based on the present value of all future cash flows, the fixed rate in the contract and assumptions reg
forward interest rates from a yield curve. The interest rate swap agreement resulted in additional interest expens
2009 and fiscal 2008 of approximately $6.1 million and $2.6 million, respectively.

During the fourth quarter of fiscal 2009, in connection with our refinancing, we concluded the Swap Agreement
longer an effective hedge, based on the terms of the Amended Credit Agreement which

includes a 2% LIBOR floor. We do not believe the LIBOR rates over the remaining term of the Swap Agreemer the LIBOR floor stated in the Amended Credit Agreement which in effect results in fixed rate debt. Therefore, d 2009, we reclassified to interest expense the remaining $3.1 million of deferred losses recorded to accumulated comprehensive income (loss). For fiscal 2009, we have reduced interest expense by $2.5 million as a result of th fair value of the hedge and we reclassified $4.8 million into earnings as a result of the discontinuance of the hed designation of the Swap Agreement.

Cash Flow

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of invent expansion plans, debt service requirements and other operating cash needs. To meet our short- and long-term liq requirements, including payment of operating expenses and repaying debt, we rely primarily on cash from opera However, we have recently, as well as in the past, sought to raise additional capital.

We expect that, for the next fiscal year, cash generated from operations will be sufficient to provide us the abilit operations, provide the increased working capital necessary to support our strategy and fund planned capital exp between $10 million and $12 million for fiscal 2010 and expansion when needed.

We have used available funds to repurchase shares of our common stock under our stock repurchase program. A did not purchase any shares of common stock during fiscal 2009 under the stock repurchase program, we did wi of restricted stock to satisfy tax withholding obligations arising in connection with the vesting of awards of restr related to our 2003 long-term stock incentive plan, which are included in treasury stock purchases in the Consol Statements of Stockholders Equity. We also used the proceeds of our Equity Investment to purchase the Conve the Exchange Offer.

Our corporate strategy points to the synergistic value of potential acquisitions in our metal coil coating, metal co and engineered building systems segments. From time to time, we may enter into letters of intent or agreements assets or companies in these business lines. The consummation of these transactions could require cash payment issuance of additional debt.

Steel Prices

Our business is heavily dependent on the price and supply of steel. Our various products are fabricated from stee by mills including bars, plates, structural shapes, sheets, hot rolled coils and galvanized or Galvalume®-coated c industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile i Steel prices are influenced by numerous factors beyond our control, including general economic conditions dom internationally, the availability of raw materials, competition, labor costs, freight and transportation costs, produ import duties and other trade restrictions. We believe the CRU North American Steel Price Index, published by Group since 1994 appropriately depicts the volatility in steel prices. See Item 7A. Quantitative and Qualitative About Market Risk Steel Prices. During fiscal 2009, steel prices fluctuated significantly due to market condi from a high point on the CRU Index of 187 to a low point of 112. Steel prices decreased rapidly during the first of fiscal 2009 but increased slightly between July 2009 and October 2009. Rapidly declining demand for steel d effects of the credit crisis and global economic slowdown on the construction, automotive and industrial markets in many steel manufacturers around the world announcing plans to cut production by closing plants and furlougl Steel suppliers such as US Steel and Arcelor Mittal are among these manufacturers who have cut production. Gi steel production, higher input costs and low inventories in the industry, we believe steel prices will increase in fi compared with prices we experienced during the second half of fiscal 2009.

Although we have the ability to purchase steel from a number of suppliers, a production cutback by one or more
current suppliers could create challenges in meeting delivery schedules to our customers. Because we have peric
adjusted our contract prices, particularly in the engineered building systems segment, we have generally been ab
increases in our raw material costs through to our customers.

Table of Contents

Because the metal coil coating and metal components segments have shorter lead times, they have the ability to price increases closer to the time they occur without revising contract prices for existing orders.

We do not have any long-term contracts for the purchase of steel and normally do not maintain an inventory of s of our current production requirements. However, from time to time, we may purchase steel in advance of annou price increases. We can give no assurance that steel will remain available or that prices will not continue to be v most of our contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a po increases in the price of steel after the date of the contract but prior to delivery, we may, for competitive or other be able to pass such price increases along. If the available supply of steel declines, we could experience price inc we are not able to pass on to the end users, or a deterioration of service from our suppliers or interruptions or de cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our resu operations and financial position.

We rely on a few major suppliers for our supply of steel and may be adversely affected by the bankruptcy, chan financial condition or other factors affecting those suppliers. During fiscal 2009, we purchased approximately 3 steel requirements from one vendor in the United States. No other vendor accounted for over 10% of our steel re during fiscal 2009. Due to unfavorable market conditions and our inventory supply requirements, during fiscal 2 purchased insignificant amounts of steel from foreign suppliers. Limiting purchases to domestic suppliers furthe available steel supply base. Therefore, recently announced cutbacks, a prolonged labor strike against one or mor principal domestic suppliers, or financial or other difficulties of a principal supplier that affects its ability to pro could have a material adverse effect on our operations. Furthermore, if one or more of our current suppliers is u financial or any other reason to continue in business or to produce steel sufficient to meet our requirements, esse of our primary raw materials could be temporarily interrupted and our business could be adversely affected. Ho alternative sources, including foreign steel, are currently believed to be sufficient to maintain required deliveries additional information about the risks of our raw material supply and pricing, see Item 1A. Risk Factors.

OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsoli or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SP would have been established for the purpose of facilitating off-balance sheet arrangements or other contractuall limited purposes. As of November 1, 2009, we were not involved in any unconsolidated SPE transactions.

CONTRACTUAL OBLIGATIONS

The following table shows our contractual obligations as of November 1, 2009 (in thousands):

		Payments due by period		
Contractual Obligation	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**
Total debt(1)	$ 150,249	$ 14,164	$ 2,698	$ 133,387
Interest payments on debt(2)	69,661	17,424	29,919	22,318
Convertible Preferred Stock dividend(3)	202,590		45,020	45,020
Operating leases	16,423	7,162	6,745	1,042
Other purchase obligations(4)	14,464	7,703	6,761	
Projected pension obligations(5)	10,730		2,860	3,170
Other long-term obligations(6)	4,864	4,107	300	300

Total contractual obligations	$ 468,981	$ 50,560	$ 94,303	$ 205,237

(1) As of November 1, 2009, the aggregate principal amount and accrued and unpaid interest thereon of the ou Convertible Notes was approximately $59,000. As of December 9, 2009 until December 28, 2009, the Con may be converted at the option of the holder. We are required to convert the principal amount of a holder s Notes, or any portion of such principal amount that is a multiple of $1,000, into cash and fully paid shares o stock of the Company in accordance with the terms, procedures and conditions outlined in the indenture pu which the Convertible Notes were issued. As of November 1, 2009, the conversion rate is 24.9121 shares o stock per $1,000 in principal amount of the Convertible Notes. On December 29, 2009, we have an obligati all outstanding Convertible Notes.

(2) Interest payments were calculated based on the stated interest rate for fixed rate obligations and rates in eff November 1, 2009 for variable rate obligations and the interest rate swap payments.

(3) We have assumed that the dividends required by our Convertible Preferred Stock will be paid in-kind durin because we are limited in our ability to pay cash dividends until October 2010 under the Amended Credit A and the ABL Facility, except for certain specified purposes. For simplicity, we have assumed cash dividend be paid subsequent to fiscal 2010 until the Convertible Preferred Stock can be either called by us or put to u CD&R funds on the tenth anniversary of the Closing Date. However, if at any time after the 30 month anni Closing Date, the trading price of the common stock of the Company exceeds 200% of the initial conversio defined in the Certificate of Designation) for each of 20 consecutive trading days, the dividend rate (exclud applicable adjustments as a result of a default) will become 0.00%.

(4) Includes various agreements for steel delivery obligations, gas contracts, transportation services and teleph obligations. In general, purchase orders issued in the normal course of business can be terminated in whole any reason without liability until the product is received. Steel consignment inventory from our suppliers d constitute a purchase commitment and are not included in our table of contractual obligations. However, it practice to purchase all consignment inventory that remains in consignment after an agreed term. Consignm at November 1, 2009 is estimated to be approximately $22 million.

(5) Amounts represent our estimate of the minimum funding requirements as determined by government regul Amounts are subject to change based on numerous assumptions, including the performance of the assets in bond rates.

(6) Includes contractual payments and projected supplemental retirement benefits to or on behalf of former exe

CONTINGENT LIABILITIES AND COMMITMENTS

Our insurance carriers require us to secure standby letters of credit as a collateral requirement for our projected e future period claims growth and loss development which includes incurred but not reported, or IBNR, claims. F insurance carriers, the total standby letters of credit are approximately $12.1 million and $13.1 million at Noven and November 2, 2008, respectively.

CRITICAL ACCOUNTING POLICIES

Our Consolidated Financial Statements are prepared in accordance with accounting principles generally accepte United States, which require us to make estimates and assumptions that affect the reported amounts of assets an and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, includ estimates that may have a significant effect on our financial condition and results of operations. Our significant policies are disclosed in Note 2 to our Consolidated Financial Statements. The following discussion of critical ac

policies addresses those policies that are both important to the portrayal of our financial condition and results of
and require significant judgment and estimates. We base our estimates and judgment on historical experience an
other factors that are believed to be reasonable under the circumstances. Actual results may differ from these est
different assumptions or conditions.

47

Revenue recognition. We recognize revenues when all of the following conditions are met: persuasive evidence
arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and
is reasonably assured. Generally, these criteria are met at the time product is shipped or services are complete. P
made upon the sale for estimated product returns. Costs associated with shipping and handling our products are
cost of sales.

Insurance accruals. We are self insured for a substantial portion of the cost of employee group health insurance
cost of workers compensation benefits and general liability and automobile claims. We purchase third party ins
provides individual and aggregate stop loss protection for these costs. Each reporting period, we record the costs
insurance plan, including paid claims, an estimate of the change in incurred but not reported (IBNR) claims, t
administrative fees (collectively the Plan Costs) as general and administrative expenses and cost of sales in o
Statements of Operations. The estimated IBNR claims are based upon (i) a recent average level of paid claims u
(ii) an estimated lag factor and (iii) an estimated growth factor to provide for those claims that have been incurre
paid. For workers compensation costs, we monitor the number of accidents and the severity of such accidents t
appropriate estimates for expected costs to provide both medical care and benefits during the period an employe
work. These accruals are developed using third-party estimates of the expected cost and length of time an emplo
unable to work based on industry statistics for the cost of similar disabilities. For general liability and automobil
accruals are developed based on third-party estimates of the expected cost to resolve each claim based on indust
and the nature and severity of the claim and include estimates for IBNR claims, taxes and administrative fees. T
information is trended to provide estimates of future expected costs based on factors developed from our experie
claims cost compared to original estimates.

We believe that the assumptions and information used to develop these accruals provide the best basis for these
each quarter because, as a general matter, the accruals have historically proven to be reasonable and accurate. H
significant changes in expected medical and health care costs, negative changes in the severity of previously rep
or changes in laws that govern the administration of these plans could have an impact on the determination of th
these accruals in future periods. Our methodology for determining the amount of health insurance accrual consi
growth and claims lag, which is the length of time between the incurred date and processing date. For the health
accrual, a change of 10% in the lag assumption would result in a financial impact of $0.3 million.

Share-Based Compensation. Under ASC Topic 718, *Compensation - Stock Compensation*, the fair value and co
expense of each option award is estimated as of the date of grant using a Black-Scholes-Merton option pricing f
Expected volatility is based on historical volatility of our stock over a preceding period commensurate with the
of the option. The expected volatility considers factors such as the volatility of our share price, implied volatility
price, length of time our shares have been publicly traded, appropriate and regular intervals for price observatio
corporate and capital structure. The forfeiture rate in our calculation of share-based compensation expense is bas
historical experience and is estimated at 10% for our non-officers and 0% to 10% for our officers. The risk-free
expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected div
was not considered in the option pricing formula since we historically have not paid dividends and have no curr
do so in the future. There were no options granted during the fiscal years ended November 1, 2009 and Novemb

The compensation cost related to these share-based awards is recognized over the requisite service period. The r
service period is generally the period during which an employee is required to provide service in exchange for t

Our option awards and restricted stock awards are subject to graded vesting over a service period, which is typic
years. We recognize compensation cost for these awards on a straight-line basis over the requisite service period
award. In addition, certain of our awards provide for accelerated vesting upon qualified retirement. We recogniz
compensation cost for such awards over the period from grant date to the date the employee first becomes eligib
retirement.

Income taxes. The determination of our provision for income taxes requires significant judgment, the use of esti interpretation and application of complex tax laws. Our provision for income taxes reflects a combination of inc and taxed in the various U.S. federal and state, Canadian federal and provincial as well as Mexican federal juris Jurisdictional tax law changes, increases or decreases in permanent differences between book and tax items, acc adjustments of accruals for tax contingencies or valuation allowances, and the change in the mix of earnings fro taxing jurisdictions all affect the overall effective tax rate.

In assessing the realizability of deferred tax assets, we must consider whether it is more likely than not that som all of the deferred tax assets will not be realized. We consider all available evidence in determining whether a va allowance is required. Such evidence includes the scheduled reversal of deferred tax liabilities, projected future income and tax planning strategies in making this assessment, and judgment is required in considering the relati negative and positive evidence. The entire U.S. federal net operating loss will be fully utilized through carryback taxable income generated in fiscal 2008 and 2007. At both November 1, 2009 and November 2, 2008, we had a allowance in the amount of $5.0 million on the deferred tax assets of Robertson Building Systems Ltd., our Can subsidiary.

Accounting for acquisitions, intangible assets and goodwill. Accounting for the acquisition of a business requir allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. The most estimations of individual fair values are those involving property, plant and equipment and identifiable intangibl use all available information to make these fair value determinations and, for major business acquisitions such a typically engage an outside appraisal firm to assist in the fair value determination of the acquired long-lived ass

In connection with the acquisition of Garco, we recorded intangible assets for trade names, backlog, customer re and non-competition agreements in the amount of $0.8 million, $0.7 million, $2.5 million and $1.8 million, resp Garco intangible assets are amortized on a straight-line basis over their expected useful lives. Garco s trade nan amortized over 15 years based on our expectation of our use of the trade names. Garco s backlog was amortized because items in Garco s backlog were expected to be delivered within one year. Garco s customer lists and re being amortized over fifteen years based on a review of the historical length of Garco s customer retention expe non-competition agreements are being amortized over their agreement terms of five years.

At November 1, 2009, we have total goodwill of $5.2 million which is all included in our engineered building sy segment. At November 2, 2008, we had total goodwill of $616.6 million, of which $99.0 million, $147.2 million $370.4 million is included in the metal coil coating, metal components and engineered building systems segmen

In connection with the acquisition of RCC, we recorded intangible assets for trade names, backlog and customer in the amount of $24.7 million, $2.3 million and $6.3 million, respectively. Trade names were determined to hav useful lives and so are not amortized. Trade names were determined to have indefinite lives due to the length of names have been in place, with some having been in place for decades. Our past practice with other acquisitions current intentions are to maintain the trade names indefinitely. This judgmental assessment of an indefinite usef continuously evaluated in the future. If, due to changes in facts and circumstances, management determines that intangible assets then have definite useful lives, amortization will commence at that time on a prospective basis. these intangible assets are judged to have indefinite lives, they will be subject to periodic impairment tests that r management s judgment of the estimated fair value of these intangible assets. We assess impairment of our non intangibles at least annually in accordance with ASC Topic 350, *Intangibles Goodwill and Other* (ASC 350 intangible assets are amortized on a straight-line basis over their expected useful lives. RCC s backlog was amo year because items in RCC s backlog were expected to be delivered within one year. RCC s customer lists and are being

Table of Contents

amortized over fifteen years based on a review of the historical length of RCC s customer retention experience. Acquisitions in the Notes to Consolidated Financial Statements, for additional information.

We had recorded approximately $277.3 million of goodwill as a result of the RCC acquisition. Goodwill of $17. $17.8 million and $242.5 million had been recorded in our metal coil coating, metal components and engineered systems segments, respectively. We perform a test for impairment of all our goodwill annually as prescribed by The fair value of our reporting units is based on a blend of estimated discounted cash flows, publicly traded com multiples and acquisition multiples. The results from each of these models are then weighted and combined into estimate of fair value for our one remaining reporting unit. Estimated discounted cash flows are based on projec related cost of sales. Publicly traded company multiples and acquisition multiples are derived from information shares and analysis of recent acquisitions in the marketplace, respectively, for companies with operations simila primary assumptions used in these various models include earnings multiples of acquisitions in a comparable in cash flow estimates of each of our reporting units, weighted average cost of capital, working capital and capital requirements. During fiscal 2008, we adopted an approach to the computation of the terminal value in the discou flow method, using the Gordon growth model instead of a market based EBITDA multiple approach. We have n material changes in our impairment assessment methodology during each fiscal year of 2009 and 2007. We do n estimates used in the analysis are reasonably likely to change materially in the future but we will continue to ass estimates in the future based on the expectations of the reporting units. Changes in assumptions used in the fair calculation could result in an estimated reporting unit fair value that is below the carrying value, which may giv impairment of goodwill.

We perform an annual assessment of the recoverability of goodwill and indefinite lived intangibles. Additionall goodwill and indefinite lived intangibles for impairment whenever events or changes in circumstances indicate t carrying values may not be recoverable. Unforeseen events, changes in circumstances and market conditions an differences in the value of intangible assets due to changes in estimates of future cash flows could negatively af value of our assets and result in a non-cash impairment charge. Some factors considered important that could tri impairment review include the following: significant underperformance relative to expected historical or projec operating results, significant changes in the manner of our use of the acquired assets or the strategy for our over and significant sustained negative industry or economic trends.

Subsequent to our fiscal 2008 annual assessment of the recoverability of goodwill and indefinite lived intangibl beginning largely in late September, our stock price and market capitalization decreased from $36.51 and $720. respectively, at July 27, 2008 to $18.61 and $367.3 million, respectively, at November 2, 2008. We evaluated w recent decline in our stock price and market capitalization represented a significant decline in the underlying fai Company. Based upon our analysis, we concluded that the decline in our stock price and the resulting decline in capitalization did not require us to perform an additional goodwill and indefinite lived intangibles impairment te did not believe the decline was caused by significant underperformance of the Company relative to historical or future operating results, a significant change in the manner of our use of the acquired assets or the strategy for o business, or a significant negative industry or economic trend.

Based on lower than projected sales volumes in our first quarter of fiscal 2009 and based on a revised lower out non-residential construction activity in 2009, management reduced the Company s cash flow projections. We c this reduction was an impairment indicator requiring us to perform an interim goodwill impairment test for each reporting units as of February 1, 2009. As a result of this impairment indicator, we updated the first step of our impairment test in the first quarter of fiscal 2009. The first step of our goodwill impairment test determines fair reporting unit based on a blend of estimated discounted cash flows, publicly traded company multiples and acqu multiples reconciled to our recent publicly traded stock price, including a reasonable control premium. The resu model was then weighted and combined into a single estimate of fair value. We determined that our carrying va our fair value at most of our reporting units in each of our operating segments, indicating that goodwill was pote

impaired. As a result, we initiated the second step of the goodwill

impairment test which involves calculating the implied fair value of our goodwill by allocating the fair value of
unit to all assets and liabilities other than goodwill and comparing it to the carrying amount of goodwill. The fai
each of the reporting unit s assets and liabilities were determined based on a combination of prices of comparab
and present value techniques.

As of February 1, 2009, we estimated the market implied fair value of our goodwill was less than its carrying va
approximately $508.9 million, which was recorded as a goodwill impairment charge in the first quarter of fiscal
charge was an estimate based on the result of the preliminary allocation of fair value in the second step of the go
impairment test. However, due to the timing and complexity of the valuation calculations required under the sec
the test, we were not able to finalize our allocation of the fair value until the second quarter of fiscal 2009 with r
property, plant and equipment and intangible assets in which their respective values are dependent on property, p
equipment. The finalization was included in our goodwill impairment charge in the second quarter of fiscal 2009

Further declines in cash flow projections and the corresponding implementation of the Phase III restructuring pla
management to determine that there was an indicator requiring us to perform another interim goodwill impairme
each of our reporting units with goodwill remaining as of May 3, 2009. As a result of this impairment indicator,
performed the first step of our goodwill impairment test in the second quarter of fiscal 2009, the results of which
that our carrying value exceeded our fair value at most of our reporting units with goodwill remaining, indicating
goodwill was potentially impaired. As a result, we initiated the second step of the goodwill impairment test. As o
2009, we determined the market implied fair value of our goodwill was less than the carrying value for certain re
by approximately $102.5 million, which has been recorded as a goodwill impairment charge in the second quarte
2009.

As a result of the aforementioned goodwill impairment indicators and in accordance with ASC 350, we perform
impairment analysis on our indefinite lived intangible asset related to RCC s trade names in our engineered bui
segment to determine the fair value. Based on changes to our projected cash flows in the first quarter of fiscal 20
on the lower projected cash flows and related Phase III restructuring plan in the second quarter of fiscal 2009, w
the carrying cost exceeded the future fair value attributable to the intangible asset, and recorded impairment char
$8.7 million in the first quarter of fiscal 2009 and $2.4 million in the second quarter of fiscal 2009 related to the
asset.

The results of our fiscal year 2009 annual assessment of the recoverability of goodwill and indefinite lived intan
indicated that the fair value of the Company s one remaining reporting unit was in excess of the carrying value
reporting unit, including goodwill, and thus no impairment existed in the fourth quarter of fiscal 2009. In fiscal 2
remaining reporting unit s fair value would have had to have been lower by more than 50% compared to the fai
estimated in our impairment analysis before its carrying value would exceed the fair value of the reporting unit,
that goodwill was potentially impaired.

Allowance for doubtful accounts. Our allowance for doubtful accounts reflects reserves for customer receivable
receivables to amounts expected to be collected. Management uses significant judgment in estimating uncollecti
In estimating uncollectible accounts, management considers factors such as current overall economic conditions
industry-specific economic conditions, historical customer performance and anticipated customer performance.
believe these processes effectively address our exposure for doubtful accounts and credit losses have historically
expectations, changes in the economy, industry, or specific customer conditions may require adjustments to the
doubtful accounts. During fiscal years 2009, 2008 and 2007, we established new reserves for doubtful accounts
$1.2 million, $3.5 million and $0.3 million, respectively. Additionally, in each of the three fiscal years ended No
2009, we wrote off uncollectible accounts of $2.5 million, $2.1 million and $6.6 million, respectively, all of whi
previously reserved.

Inventory valuation. In determining the valuation of inventory and record an allowance for obsolete inventory u specific identification method for steel coils and other raw materials. Management also reviews the carrying valu inventory for lower of cost or market. Our primary raw material is steel coils

51

Table of Contents

which have historically shown significant price volatility. We generally manufacture to customers orders, and t
raw materials with a variety of ultimate end uses. We record a lower of cost or market charge to cost of sales wh
realizable value (selling price less estimated cost of disposal), based on our intended end usage, is below our est
product cost at completion. Estimated net realizable value is based upon assumptions of targeted inventory turn r
demand, anticipated finished goods sales prices, management strategy and market conditions for steel. If project
or projected sales prices change significantly from management s current estimates or actual market conditions
favorable than those projected by management, additional inventory write-downs may be required and in the cas
downturn in market conditions, such write-downs could be significant.

We adjusted our raw material inventory to the lower of cost or market because this inventory exceeded our curre
of net realizable value less normal profit margins. At November 1, 2009, all inventory with a lower of cost or ma
adjustment was fully utilized. The balance of the lower of cost or market adjustment was $2.7 million at Novem

Property, plant and equipment valuation. We assess the recoverability of the carrying amount of property, plant
equipment if certain events or changes in circumstances indicate that the carrying value of such assets may not b
recoverable, such as a significant decrease in market value of the assets or a significant change in our business c
we determine that the carrying value of an asset is not recoverable based on expected undiscounted future cash f
excluding interest charges, we record an impairment loss equal to the excess of the carrying amount of the asset
value. The fair value of assets is determined based on prices of similar assets adjusted for their remaining useful

During fiscal 2009, we adjusted our property, plant and equipment because we determined that the carrying valu
assets were not recoverable based on expected undiscounted future cash flows. We recorded asset impairments o
$6.3 million in fiscal 2009.

Contingencies. We establish reserves for estimated loss contingencies when we believe a loss is probable and th
the loss can be reasonably estimated. Our contingent liability reserves are related primarily to litigation and envi
matters. Revisions to contingent liability reserves are reflected in income in the period in which there are change
circumstances that affect our previous assumptions with respect to the likelihood or amount of loss. Reserves for
liabilities are based upon our assumptions and estimates regarding the probable outcome of the matter. We estim
probable cost by evaluating historical precedent as well as the specific facts relating to each particular contingen
the opinion of outside advisors, professionals and experts). Should the outcome differ from our assumptions and
other events result in a material adjustment to the accrued estimated reserves, revisions to the estimated reserves
contingent liabilities would be required and would be recognized in the period the new information becomes kno

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2008, the FASB issued guidance that has been codified under ASC Topic 715-20, *Defined Benefit*
General (ASC 715-20). ASC 715-20 provides guidance on an employer s disclosures about plan assets of a d
pension or other postretirement plan. The disclosures about plan assets required by ASC 715-20 are effective for
year ended 2010 and are not required for earlier periods presented for comparative purposes. We will adopt the d
provisions required by ASC 715-20 in fiscal 2010.

In June 2008, the FASB issued guidance that has been codified under ASC Topic 260-10, *Earnings Per Share* (
This pronouncement provides that unvested share-based payment awards that contain non-forfeitable rights to di
dividend equivalents are participating securities and, therefore, should be included in computing earnings per
two class method. We will implement this statement in our fiscal year that begins November 2, 2009 and apply i
applicable. All prior period earnings per share data would be adjusted retrospectively to conform with the provis
pronouncement. We are currently evaluating the impact of this pronouncement.

52

In May 2008, the FASB issued guidance that has been codified under ASC Topic 470-20, *Debt with Conversion Options* (ASC 470-20). ASC 470-20 will change the accounting for certain convertible debt instruments, incl Convertible Notes. Under the new rules, for convertible debt instruments that may be settled entirely or partially conversion, an entity shall separately account for the liability and equity components of the instrument in a mann reflects the issuer s economic interest cost. The effect of ASC 470-20 for our Convertible Notes is that the equi will be included in the paid-in-capital section of stockholders equity on our consolidated balance sheet and the equity component will be treated as an original issue discount for purposes of accounting for the debt componen Convertible Notes. Higher interest expense will result by recognizing the accretion of the discounted carrying va Convertible Notes to their face amount as interest expense over the term of the Convertible Notes using an effec rate method. ASC 470-20 is effective for our fiscal year ended 2010, does not permit early application, and will retrospectively to all periods presented. While this accounting pronouncement does not change the economic sul cash flow requirements for the Convertible Notes, the amount reported as interest expense in our consolidated st operations will increase due to the accretion of the discounted carrying value of the Convertible Notes to their fa The Convertible Notes will also reflect higher than previously reported interest expense due to retrospective app are currently evaluating the impact of adopting ASC 470-20 but anticipate the reported interest expense on our C Notes will increase from 2.125% to 7.5%. The retroactive application of this pronouncement to fiscal years 2005 result in an increase to annual interest expense of approximately $7.5 million in fiscal 2005, gradually increasing approximately $9.9 million in fiscal 2009. In October 2009, we completed the Exchange Offer to acquire $180 r aggregate principal amount of the Convertible Notes. Therefore, we will not have additional prospective interest upon adoption.

In February 2008, the FASB issued additional guidance codified under ASC 820-10, *Fair Value Measurements Disclosures* (ASC 820-10). This Statement defines fair value, establishes a framework for measuring fair valu disclosures about fair value measurements. ASC 820-10 partially delays the effective date for nonfinancial asset nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements basis (at least annually). We will adopt ASC 820-10 in our fiscal year that begins November 2, 2009 for nonrecu non-financial assets and liabilities that are recognized or disclosed at fair value. However, we do not believe the this accounting pronouncement for nonrecurring, non-financial assets and liabilities will have a material impact consolidated financial statements.

In December 2007, the FASB issued guidance that has been codified under ASC Topic 810, *Consolidations* (A Statement amends previous guidance to establish accounting and reporting standards for the noncontrolling inter subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It re consolidated net income to be reported at amounts that include the amounts attributable to both the parent and th noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the an consolidated net income attributable to the parent and to the noncontrolling interest. ASC 810 established a sing accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation and parent recognize a gain or loss in net income when a subsidiary is deconsolidated. In addition, ASC 810 requires disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of owners and the interests of the noncontrolling owners of a subsidiary. We will implement this statement in our f begins November 2, 2009 and apply it as applicable. We currently do not have any ownership interest which wo impacted by ASC 810.

In December 2007, the FASB issued guidance that has been codified under ASC Topic 805, *Business Consolida* 805). This statement replaces previous guidance but retains the fundamental requirements of the previous guid establishes principles and requirements for how the acquirer recognizes and measures in its financial statements identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. In addition, A recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase an

disclosures to enable

Table of Contents

users of the financial statement to evaluate the nature and financial effects of the business combination. We will
this statement for all future acquisitions following the date of adoption in our fiscal year that begins November 2
impact of adoption of ASC 805 on our financial position or results of operations is dependent upon the nature ar
business combinations, if any, that we may consummate in fiscal 2010 and thereafter.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk.***

Steel Prices

We are subject to market risk exposure related to volatility in the price of steel. For the fiscal year ended Novem
steel constituted approximately 71% of our cost of sales. Our business is heavily dependent on the price and sup
Our various products are fabricated from steel produced by mills to forms including bars, plates, structural shape
hot-rolled coils and galvanized or Galvalume®-coated coils. The steel industry is highly cyclical in nature, and s
have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous
beyond our control, including general economic conditions domestically and internationally, the availability of r
competition, labor costs, freight and transportation costs, production costs, import duties and other trade restricti
declining demand for steel due to the effects of the credit crisis and global economic slowdown on the construct
automotive and industrial markets has resulted in many steel manufacturers around the world announcing plans
production by closing plants and furloughing workers. Steel suppliers such as US Steel and Arcelor Mittal are ar
manufacturers who have cut production. Given reduced steel production, higher input costs and low inventories
industry, we believe steel prices will increase in fiscal 2010 as compared with the prices we experienced during
half of fiscal 2009.

Although we have the ability to purchase steel from a number of suppliers, a production cutback by one or more
current suppliers could create challenges in meeting delivery schedules to our customers. Because we have perio
adjusted our contract prices, particularly in the engineered building systems segment, we have generally been ab
increases in our raw material costs through to our customers. The graph below shows the monthly CRU Index da
North American Steel Price Index over the historical five-year period. The CRU North American Steel Price Ind
published by the CRU Group since 1994 and we believe this index appropriately depicts the volatility of steel pr
index, based on a CRU survey of industry participants, is now commonly used in the settlement of physical and
contracts in the steel industry. The prices surveyed are purchases for forward delivery, according to lead time, w
vary. For example, the October index would likely approximate our fiscal November or December steel purchas
based on current lead-times. The volatility in this steel price index is comparable to the volatility we experienced
average cost of steel. Further, due to the market conditions described above, the most recent CRU prices have be
a lower than normal trading volume.

Table of Contents

Source: www.crugroup.com

We do not have any long-term contracts for the purchase of steel and normally do not maintain an inventory of s
of our current production requirements. However, from time to time, we may purchase steel in advance of annou
price increases. We can give no assurance that steel will remain available or that prices will not continue to be v
most of our contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a po
increases in the price of steel after the date of the contract but prior to delivery, we may, for competitive or other
be able to pass such price increases along. If the available supply of steel declines, we could experience price inc
we are not able to pass on to the end users, a deterioration of service from our suppliers or interruptions or delay
cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our resu
operations and financial position.

We rely on a few major suppliers for our supply of steel and may be adversely affected by the bankruptcy, chan
financial condition or other factors affecting those suppliers. During fiscal 2009, we purchased approximately 30
steel requirements from one vendor in the United States. No other vendor accounted for over 10% of our steel re
during fiscal 2009. Due to unfavorable market conditions and our inventory supply requirements, during fiscal 2
purchased insignificant amounts of steel from foreign suppliers. Limiting purchases to domestic suppliers furthe
available steel supply base. Therefore, recently announced cutbacks, a prolonged labor strike against one or mor
principal domestic suppliers, or financial or other difficulties of a principal supplier that affects its ability to proc
could have a material adverse effect on our operations. Furthermore, if one or more of our current suppliers is un
financial or any other reason to continue in business or to produce steel sufficient to meet our requirements, esse
of our primary raw materials could be temporarily interrupted and our business could be adversely affected. How
alternative sources, including foreign steel, are currently believed to be sufficient to maintain required deliveries

With steel accounting for approximately 71% of our cost of sales for fiscal 2009, a one percent change in the cos
would have resulted in a pre-tax impact on cost of sales of approximately $5.7 million for our fiscal year ended
2009, if such costs were not passed on to our customers. The impact to our financial results of operations would
significantly dependent on the competitive environment and the costs of other alternative building products, whi
impact our ability to pass on these higher costs.

55

Table of Contents

Interest Rates

We are subject to market risk exposure related to changes in interest rates on our Amended Credit Agreement ar
Facility. These instruments bear interest at an agreed upon percentage point spread from either the prime interes
LIBOR. Under our Amended Credit Agreement, we may, at our option, fix the interest rate for certain borrowin
spread over LIBOR for 30 days to six months. At November 1, 2009, we had $150.0 million outstanding under o
Credit Agreement. Based on this balance and considering the Swap Agreement discussed below, an immediate c
percent in the interest rate would cause a change in interest expense of approximately $1.1 million on an annual
fair value of our Convertible Notes at November 1, 2009 was approximately $0.1 million compared to the face v
$0.1 million. The fair value of our Convertible Notes at November 2, 2008 was approximately $149.5 million co
the face value of $180.0 million. The fair value of our Amended Credit Agreement at November 1, 2009 was ap
$138.0 million compared to the face value of $150.0 million. The fair value of our Credit Agreement at Novemb
was approximately $252.0 million compared to the face value of $293.2 million.

We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to
fluctuations in interest rates. We do not purchase or hold any derivative financial instruments for trading purpos
disclosed in Note 12 to the Consolidated Financial Statements, we initially converted $160 million of our $293 r
loan outstanding on our $400 million term loan under the Credit Agreement to fixed rate debt by entering into ar
swap agreement (Swap Agreement). At November 1, 2009 and November 2, 2008, the notional amount of th
Agreement was $65 million and $105 million, respectively. However, in connection with our refinancing, we co
Swap Agreement was no longer an effective hedge, based on the modified terms of the Amended Credit Agreem
includes a 2% LIBOR floor. We do not believe the LIBOR rates over the remaining term of the Swap Agreemer
the LIBOR floor stated in the Amended Credit Agreement which in effect results in fixed rate debt.

See Note 11 to the Consolidated Financial Statements for more information on the material terms of our long-te

The table below presents scheduled debt maturities and related weighted-average interest rates for each of the fi
relating to debt obligations as of November 1, 2009. Weighted-average variable rates are based on LIBOR rates
November 1, 2009, plus applicable margins.

	Scheduled Maturity Date(a)						
	2010	2011	2012	2013	2014	Thereafter	Total
	(In millions, except interest rate percentages)						
Total Debt:							
Fixed Rate(b)	$ 0.2	$					$ 0.2
Interest Rate	2.1%						2.1%
Variable Rate	$ 13.9	1.4	1.3	1.3	132.1		$ 150.0
Average interest rate	8.0%	8.0%	8.0%	8.0%	8.0%		8.0%

(a) Expected maturity date amounts are based on the face value of debt and do not reflect fair market value of t

(b) Fixed rate debt excludes the Swap Agreement.

(c) Based on recent trading activities of comparable market instruments.

Foreign Currency Exchange Rates

We are exposed to the effect of exchange rate fluctuations on the U.S. dollar value of foreign currency denomina
revenue and expenses. The functional currency for our Mexico operations is the U.S. dollar. Adjustments resulti
re-measurement of the local currency financial statements into the U.S. dollar functional currency, which uses a
of current and historical exchange rates, are

56

included in net income in the current period. Net foreign currency re-measurement losses for the fiscal year ende November 1, 2009 was immaterial and for the fiscal years ended November 2, 2008 and October 28, 2007 was $ and $(0.3) million, respectively.

The functional currency for our Canada operations is the Canadian dollar. Translation adjustments resulting fron the functional currency financial statements into U.S. dollar equivalents are reported separately in accumulated c comprehensive income in stockholders equity. Net foreign currency translation adjustment, net of tax, and incl comprehensive income for the fiscal years ended November 1, 2009 and November 2, 2008 was $(0.2) million a $0.3 million, respectively.

Item 8. ***Financial Statements and Supplementary Data.***

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

Management s Report on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm
Financial Statements:
Consolidated Statements of Operations for the Fiscal Years Ended November 1, 2009, November 2, 2008 and October 28, 2007
Consolidated Balance Sheets as of November 1, 2009 and November 2, 2008
Consolidated Statements of Cash Flows for the Fiscal Years Ended November 1, 2009, November 2, 2008 and October 28, 2007
Consolidated Statements of Stockholders Equity for the Fiscal Years Ended November 1, 2009, November 2, 2 and October 28, 2007
Consolidated Statements of Comprehensive Income (Loss) for the Fiscal Years Ended November 1, 2009, November 2, 2008 and October 28, 2007
Notes to the Consolidated Financial Statements

Table of Contents

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTIN

Management of NCI Building Systems, Inc. (the Company or our) is responsible for establishing and mai internal control over financial reporting for the Company as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934. The Company s internal control system was designed to provide reasonable assurance t Company s management and board of directors regarding the reliability of financial reporting and the preparati statements for external purposes in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditin and actions taken to correct deficiencies as identified.

Internal control over financial reporting has inherent limitations and may not prevent or detect misstatements. T an internal control system is also based in part upon assumptions and judgments made by management about th future events, and there can be no assurance that an internal control will be effective under all potential future c Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance w the financial statement preparation and presentation. Further, because of changes in conditions, the effectivenes control over financial reporting may vary over time.

Management assessed the effectiveness of the Company s internal control over financial reporting as of Novem making this assessment, management used the criteria for internal control over financial reporting described in *I Control Integrated Framework* by the Committee of Sponsoring Organizations of the Treadway Commission Management s assessment included an evaluation of the design of the Company s internal control over financi testing of the operating effectiveness of its internal control over financial reporting. Management reviewed the r assessment with the Audit Committee of the Company s Board of Directors. Based on this assessment, manage concluded that, as of November 1, 2009, the Company s internal control over financial reporting was effective.

Ernst & Young LLP, the independent registered public accounting firm that has audited the Company s consoli statements, has audited the effectiveness of the Company s internal control over financial reporting as of Nove Their report included elsewhere herein expresses an unqualified opinion on the effectiveness of our internal con financial reporting as of November 1, 2009.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of NCI Building Systems, Inc.

We have audited NCI Building Systems, Inc. s (the Company) internal control over financial reporting as of
2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponso
Organizations of the Treadway Commission (the COSO criteria). The Company s management is responsible fo
effective internal control over financial reporting, and for its assessment of the effectiveness of internal control o
reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. O
responsibility is to express an opinion on the company s internal control over financial reporting based on our a

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (
States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whethe
internal control over financial reporting was maintained in all material respects. Our audit included obtaining an
understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testi
evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing s
procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable bas
opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance reg
reliability of financial reporting and the preparation of financial statements for external purposes in accordance w
accepted accounting principles. A company s internal control over financial reporting includes those policies an
that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactio
dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as nec
permit preparation of financial statements in accordance with generally accepted accounting principles, and that
expenditures of the company are being made only in accordance with authorizations of management and directo
company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquis
disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatem
projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become i
because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriora

In our opinion, NCI Building Systems, Inc. maintained, in all material respects, effective internal control over fi
reporting as of November 1, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (Un
the consolidated balance sheets of the Company as of November 1, 2009 and November 2, 2008 and the related
statements of operations, stockholders equity, cash flows and comprehensive income (loss) for each of the thre
period ended November 1, 2009 of the Company and our report dated December 22, 2009 expressed an unqualif
thereon.

/s/ Ernst & Young LLP

Houston, Texas
December 22, 2009

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of NCI Building Systems, Inc.

We have audited the accompanying consolidated balance sheets of NCI Building Systems, Inc. (the Company
November 1, 2009 and November 2, 2008, and the related consolidated statements of operations, stockholders
flows and comprehensive income (loss) for each of the three years in the period ended November 1, 2009. These
statements are the responsibility of the Company s management. Our responsibility is to express an opinion on
statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board
States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whethe
statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting t
and disclosures in the financial statements. An audit also includes assessing the accounting principles used and s
estimates made by management, as well as evaluating the overall financial statement presentation. We believe th
provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated
position of the Company at November 1, 2009 and November 2, 2008, and the consolidated results of their oper
cash flows and their comprehensive income (loss) for each of the three years in the period ended November 1, 2
conformity with U.S. generally accepted accounting principles.

As discussed in Notes 3 and 23 to the consolidated financial statements, effective October 28, 2007, the Compar
the guidance originally issued in Staff Accounting Bulletin No. 108, Considering the effects of Prior Year Mis
when Quantifying Misstatements in Current Year Financial Statements and the guidance originally issued in S
Financial Accounting Standard (SFAS) No. 158, Employers Accounting for Defined Benefit Pension and Oth
Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R) (codified in FASB AS
Compensation-Retirement Benefits). Also, discussed in Note 3 to the consolidated financial statements, effec
2007, the Company adopted the guidance originally issued in FASB Interpretation No. 48, Accounting for Unc
Income Taxes an Interpretation of FASB Statement No. 109 (codified in FASB ASC Topic 740, Income Ta

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (U
the Company s internal control over financial reporting as of November 1, 2009, based on criteria established i
Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commis
report dated December 22, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
December 22, 2009

Table of Contents

CONSOLIDATED STATEMENTS OF OPERATIONS

NCI BUILDING SYSTEMS, INC.

	Fiscal Year Ended	
	November 1, 2009	**November 2, 2008**
	(In thousands, except per shar	
Sales	**$ 967,923**	$ 1,764,159
Cost of sales	**752,793**	1,321,917
Lower of cost or market adjustment	**39,986**	2,739
Asset impairments	**6,291**	157
Gross profit	**168,853**	439,346
Selling, general and administrative expenses	**209,567**	283,577
Goodwill and other intangible asset impairments	**622,564**	
Restructuring charge	**9,052**	1,059
Change of control charges	**11,168**	
Income (loss) from operations	**(683,498)**	154,710
Interest income	**393**	1,085
Interest expense	**(20,410)**	(23,535)
Debt extinguishment and refinancing costs	**(100,260)**	
Other (expense) income, net	**2,287**	(1,880)
Income (loss) before income taxes	**(801,488)**	130,380
Provision (benefit) for income taxes	**(54,524)**	51,499
Net income (loss)	**$ (746,964)**	$ 78,881
Convertible preferred stock dividends and accretion	**1,187**	
Convertible preferred stock beneficial conversion feature	**10,526**	
Net income (loss) applicable to common shares	**$ (758,677)**	$ 78,881
Earnings (loss) per share:		
Basic	**$ (34.06)**	$ 4.08
Diluted	**$ (34.06)**	$ 4.05
Weighted average number of common shares outstanding:		
Basic	**22,013**	19,332
Diluted	**22,013**	19,486

See accompanying notes to the consolidated financial statements.

61

Table of Contents

CONSOLIDATED BALANCE SHEETS

NCI BUILDING SYSTEMS, INC.

	November 1, 2009	N
	(In thousa except share	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 90,419	$
Restricted cash, current	5,154	
Accounts receivable, net	82,889	
Inventories, net	71,537	
Deferred income taxes	18,787	
Income tax receivable	27,622	
Investments in debt and equity securities, at market	3,359	
Prepaid expenses and other	14,494	
Assets held for sale	4,963	
Total current assets	319,224	
Property, plant and equipment, net	231,840	
Goodwill	5,200	
Intangible assets, net	28,370	
Restricted cash, net of current portion	7,825	
Other assets, net	21,389	
Total assets	$ 613,848	$
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 14,164	$
Note payable	481	
Accounts payable	73,594	
Accrued compensation and benefits	37,215	
Accrued interest	776	
Other accrued expenses	52,455	
Total current liabilities	178,685	
Long-term debt	136,085	
Deferred income taxes	18,591	
Other long-term liabilities	8,007	

Total long-term liabilities	**162,683**	
Series B cumulative convertible participating preferred stock	**222,815**	
Stockholders equity:		
Common stock, $.01 par value, 100,000,000 shares authorized; 90,410,147 and 22,403,711 shares issued in 2009 and 2008, respectively; and 90,410,147 and 19,734,025 shares outstanding in 2009 and 2008, respectively	**904**	
Additional paid-in capital	**263,620**	
Retained earnings (deficit)	**(206,000)**	
Accumulated other comprehensive loss	**(8,859)**	
Treasury stock, at cost, (2,669,686 shares in 2008)		
Total stockholders equity	**49,665**	
Total liabilities and stockholders equity	**$ 613,848**	$

See accompanying notes to the consolidated financial statements.

62

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS

NCI BUILDING SYSTEMS, INC.

		Fiscal Year Ended	
	November 1, 2009	November 2, 2008	
		(In thousands)	
Cash flows from operating activities:			
Net income (loss)	**$ (746,964)**	$ 78,881	$
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**32,776**	35,588	
Share-based compensation expense	**4,835**	9,504	
Accelerated vesting of share-based compensation	**9,066**		
Debt extinguishment and refinancing costs	**95,418**		
Gain on sale of property, plant and equipment	**(928)**	(1,264)	
Provision for inventory obsolescence			
Lower of cost or market reserve	**39,986**	2,739	
Provision for doubtful accounts	**1,221**	3,468	
Interest rate swap ineffectiveness	**3,072**		
Provision (benefit) for deferred income taxes	**(24,452)**	266	
Asset impairments	**6,291**		
Impairment of goodwill and intangible assets	**622,564**		
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	**78,895**	(5,008)	
Inventories	**79,362**	(57,025)	
Income tax receivable	**(32,332)**		
Prepaid expenses and other	**(1,423)**	(9,724)	
Accounts payable	**(30,754)**	(23,738)	
Accrued expenses	**(41,599)**	7,445	
Other, net	**336**	(938)	
Net cash provided by operating activities:	**95,370**	40,194	
Cash flows from investing activities:			
Acquisitions, net of cash acquired			
Capital expenditures	**(21,657)**	(24,803)	
Proceeds from sale of property, plant and equipment	**2,589**	4,238	
Cash surrender value life insurance		2,101	
Other, net	**(34)**	(226)	
Net cash used in investing activities:	**(19,102)**	(18,690)	
Cash flows from financing activities:			
Proceeds from stock options exercised	**12**	698	
Deposits of restricted cash	**(12,979)**		

Excess tax benefits from share-based compensation arrangements				215
Borrowings on revolving lines of credit				
Payments on revolving lines of credit				
Payments on long-term debt		**(920)**		(22,637)
Payments on note payable		**(1,693)**		(3,892)
Issuance of convertible preferred stock		**250,000**		
Payment of convertible notes		**(89,971)**		
Payment of on term loan		**(143,290)**		
Payment of refinancing costs		**(54,659)**		(914)
Purchase of treasury stock		**(451)**		(2,226)
Net cash (used in) provided by financing activities:		**(53,951)**		(28,756)
Effect of exchange rate changes on cash and cash equivalents		**(99)**		399
Net (decrease) increase in cash and cash equivalents		**22,218**		(6,853)
Cash and cash equivalents at beginning of period		**68,201**		75,054
Cash and cash equivalents at end of period	**$**	**90,419**	$	68,201

See accompanying notes to the consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

NCI BUILDING SYSTEMS, INC.

	Common Stock		Additional Paid-In	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Stock	
	Shares	Amount	Capital	(Deficit)	Income	Shares	Am
	(In thousands, except share data)						
Balance, October 29, 2006	21,793,914	$ 218	$ 175,121	$ 403,125	$ (1,804)	(1,816,516)	$ (7
Cumulative effect of adopting SAB 108, net of taxes (Note 3)				(4,410)			
Treasury stock purchases						(773,888)	(3
Common stock issued for stock option exercises	109,233	1	3,922				
Tax benefit from employee stock incentive plan			1,596				
Issuance of restricted stock	190,641	2	(2)				
Other comprehensive income					142		
Share-based compensation			8,610				
Shares issued for acquisition	35,448		1,800				
Adoption of ASC 715-20, net of taxes (Note 23)					2,019		
Net income				63,729			
Balance, October 28, 2007	22,129,236	$ 221	$ 191,047	$ 462,444	$ 357	(2,590,404)	$ (11
Treasury stock purchases						(79,282)	(
Common stock issued for stock option exercises	34,343		698				
Tax benefit from employee stock incentive plan			(566)				
Issuance of restricted stock	240,132	3	(3)				
Other comprehensive loss					(1,797)		
Share-based compensation			9,504				
Adoption of ASC 740-10 (Note 17)				(361)			
Net income				78,881			
Balance, November 2, 2008	22,403,711	$ 224	$ 200,680	$ 540,964	$ (1,440)	(2,669,686)	$ (11
Treasury stock purchases						(176,918)	

Retirement of treasury shares	(2,846,604)	(29)	(117,021)			2,846,604	11
Common stock issued for stock option exercises	825		12				
Tax benefit from employee stock incentive plan			(5,073)				
Convertible Notes exchange	70,177,085	702	169,725				
Convertible Preferred Stock dividends payable			(1,186)				
Tax benefit from Convertible Preferred Stock issuance costs			2,585				
Issuance of restricted stock	675,130	7	(3)				
Other comprehensive loss					(7,419)		
Share-based compensation			13,901				
Net loss				(746,964)			
Balance, November 1, 2009	**90,410,147**	**$ 904**	**$ 263,620**	**$ (206,000)**	**$ (8,859)**		$

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

NCI BUILDING SYSTEMS, INC.

	Fiscal Year Ended	
	November 1, 2009	**November 2, 2008**
	(In thousands)	
Comprehensive income (loss):		
Net income (loss) applicable to common shares	**$ (758,677)**	$ 78,881
Other comprehensive income (loss), net of tax:		
Foreign exchange translation gain (loss) (net of income tax of $107 in 2009, $140 in 2008 and $135 in 2007)	**(198)**	259
Unrecognized actuarial gain (loss) on pension obligation (net of income tax of $6,010 in 2009, $1,046 in 2008 and $(290) in 2007)	**(9,641)**	(1,628)
Loss in fair value of interest rate swap (net of income tax of $345 in 2009, $272 in 2008 and $357 in 2007)	**(554)**	(428)
Reclassification adjustment for losses on derivative instruments (net of income tax of $1,854 in 2009)	**2,974**	
Other comprehensive income (loss)	**(7,419)**	(1,797)
Comprehensive income (loss)	**$ (766,096)**	$ 77,084

See accompanying notes to the consolidated financial statements.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NCI BUILDING SYSTEMS, INC.

1. NATURE OF BUSINESS AND PRINCIPLES OF CONSOLIDATION

NCI Building Systems, Inc. (together with its subsidiaries, unless otherwise indicated, the Company, we, America s largest integrated manufacturer and marketer of metal products for the non-residential construction i provide metal coil coating services and design, engineer, manufacture and market metal components and engine systems primarily for non-residential construction use. We manufacture and distribute extensive lines of metal p the non-residential construction market under multiple brand names through a nationwide network of plants and centers. We sell our products for both new construction and repair and retrofit applications.

On October 20, 2009 the Company issued and sold to Clayton, Dubilier & Rice Fund VIII, L.P. and CD&R Frie Fund VIII, L.P. (together, the CD&R Funds), an aggregate of 250,000 shares of a newly created class of conv stock, par value $1.00 per share, of the Company, designated the Series B Cumulative Convertible Participating Stock (the Convertible Preferred Stock, and shares thereof, the Preferred Shares), representing approximat voting power and common stock of the Company on an as-converted basis (such purchase and sale, the Equity

In connection with the closing of the Equity Investment, the Company, among other things took the following ac (together with the Equity Investment, the Recapitalization Plan):

- consummated its exchange offer (the Exchange Offer) to acquire all of the Company s existing 2.125 notes due 2024 in exchange for a combination of $90 million in cash and 70.2 million shares of our com

- refinanced the Company s existing credit agreement, which included the partial prepayment of approxin $143 million in principal amount of the existing $293 million in principal amount of outstanding term lo thereunder and a modification of the terms and an amendment and extension of the maturity of the remai $150 million outstanding balance of the term loans (the Amended Credit Agreement); and

- entered into an asset-based revolving credit facility with a maximum available amount of up to $125 mil Facility). Borrowing availability on the asset-based revolving credit facility is determined by a monthly base collateral calculation that is based on specified percentages of the value of qualified cash, eligible ir eligible accounts receivable, less certain reserves and subject to certain other adjustments. At November excess availability under the asset-based revolving credit facility was $70.4 million.

As of November 1, 2009, the Preferred Shares were convertible into 196.1 million shares of common stock, at a price of $1.2748. However, as of that date, only approximately 8.2 million shares of common stock were authori unissued, and therefore the CD&R Funds could not fully convert the Preferred Shares. To the extent that the CD opt to convert their Preferred Shares, as of November 1, 2009, their conversion right was limited to conversion c Preferred Shares into the approximately 8.2 million shares of common stock that were authorized and unissued.

Dividends on the Convertible Preferred Stock are payable, on a cumulative daily basis, as, if and when declared of directors, at a rate per annum of 12% of the liquidation preference of $1,000 per Preferred Share, subject to ce adjustments, if paid in-kind or at a rate per annum of 8% of the liquidation preference of $1,000 per Preferred Sh to certain adjustments, if paid in cash. We have the right to choose whether dividends are paid in cash or in-kind the conditions of the Amended Credit Agreement and ABL Facility including being contractually limited in our

cash dividends until the first quarter of fiscal 2011 under the Amended Credit Agreement and until October 20,
the ABL Facility, except for certain specified purposes.

Table of Contents

We use a 52/53 week year with our fiscal year end on the Sunday closest to October 31. The year end for fiscal
November 1, 2009. Our fourth quarter of fiscal 2008 includes an additional week of operating activity.

We have evaluated our subsequent events through December 22, 2009.

We aggregate our operations into three reportable business segments: metal coil coating, metal components and
building systems. We base this aggregation on similarities in product lines, manufacturing processes, marketing
manage our business. We market the products in each of our business segments nationwide through a direct sale
in the case of our engineered building systems segment, through authorized builder networks.

Our Consolidated Financial Statements include the accounts of the Company and all majority-owned subsidiarie
intercompany accounts, transactions and profits arising from consolidated entities have been eliminated in conso

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally
the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and
disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of
expenses during the reporting period. Examples include provisions for bad debts and inventory reserves and acc
employee benefits, general liability insurance, warranties and certain contingencies. Actual results could differ f
estimates.

(b) Cash and Cash Equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates fa
Cash equivalents are highly liquid debt instruments with an original maturity of three months or less and may co
deposits with a number of commercial banks with high credit ratings, Eurodollar time deposits, money market in
certificates of deposit and commercial paper. Our policy allows us to also invest excess funds in no-load, open-e
management investment trusts (mutual funds). The mutual funds invest exclusively in high quality money ma
instruments. As of November 1, 2009, our cash equivalents were all invested in money market instruments.

(c) Accounts Receivable and Related Allowance. We report accounts receivable net of the allowance for doubtfu
Trade accounts receivable are the result of sales of building systems, components and coating services to custom
throughout the United States and affiliated territories, including international builders who resell to end users. Su
all sales are denominated in U.S. dollars with the exception of sales at our Canadian operations which are denom
Canadian dollars. Credit sales do not normally require a pledge of collateral; however, various types of liens ma
enhance the collection process.

We establish reserves for doubtful accounts on a customer by customer basis when we believe the required paym
specific amounts owed is unlikely to occur. In establishing these reserves, we consider changes in the financial p
customer, availability of security, lien rights and bond rights as well as disputes, if any, with our customers. Our
for doubtful accounts reflects reserves for customer receivables to reduce receivables to amounts expected to be
We determine past due status as of the contractual payment date. Interest on delinquent accounts receivable is in
trade accounts receivable balance and recognized as interest income when chargeable and collectibility is reason
Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstandin
balance or we have exhausted all collection efforts. The following table represents the

Table of Contents

rollforward of our uncollectible accounts activity for the fiscal years ended November 1, 2009, November 2, 20
October 28, 2007 (in thousands):

	November 1, 2009	November 2, 2008
Beginning balance	**$ 10,330**	$ 8,975
Provision for bad debts	**1,221**	3,468
Amounts charged against allowance for bad debts, net of recoveries	**(2,512)**	(2,113)
Ending balance	**$ 9,039**	$ 10,330

(d) Inventories. Inventories are stated at the lower of cost or market value less allowance for inventory obsolesc
specific identification or the weighted-average method for steel coils and other raw materials. During fiscal 200
lower of cost or market adjustments of $8.1 million in the metal coil coating segment, $17.2 million in the metal
segment and $14.7 million in the engineered building systems segment for a total of $40.0 million. During fiscal
incurred lower of cost or market adjustment $2.7 million in the metal coil coating segment. Lower of cost or ma
adjustments were recorded because this inventory exceeded our current estimates of net realizable value less no
margins. At November 1, 2009, all inventory with a lower of cost or market adjustment was fully utilized. The b
lower of cost or market adjustment was $2.7 million at November 2, 2008.

The components of inventory are as follows (in thousands):

	November 1, 2009
Raw materials	**$ 48,081**
Work in process and finished goods	**23,456**
	$ 71,537

The following table represents the rollforward of reserve for obsolete materials and supplies activity for the fisca
November 1, 2009, November 2, 2008 and October 28, 2007 (in thousands):

	November 1, 2009	November 2, 2008
Beginning balance	**$ 1,807**	$ 4,433
Provisions	**1,409**	252
Dispositions	**(1,624)**	(2,878)
Ending balance	**$ 1,592**	$ 1,807

During fiscal 2009, we purchased approximately 30% of our steel requirements from one vendor. No other vend
for over 10% of our steel requirements during fiscal 2009.

(e) Property, Plant and Equipment. Property, plant and equipment are stated at cost and depreciated using the st
method over their estimated useful lives. Leasehold improvements are capitalized and amortized using the straig
method over the shorter of their estimated useful lives or the term of the underlying lease. Computer software de
purchased for internal use is depreciated using the straight-line method over its estimated useful life.

Depreciation expense for fiscal 2009, 2008 and 2007 was $29.9 million, $32.5 million and $29.3 million, respec
depreciation expense, $7.1 million, $4.5 million and $4.3 million was related to software depreciation for fiscal
and 2007, respectively.

Table of Contents

Property, plant and equipment consists of the following (in thousands):

	November 1, 2009	N
Land	**$ 22,141**	$
Buildings and improvements	**165,846**	
Machinery, equipment and furniture	**225,367**	
Transportation equipment	**3,326**	
Computer software and equipment	**77,407**	
	494,087	
Less accumulated depreciation	**(262,247)**	
	$ 231,840	$

Estimated useful lives for depreciation are:

Buildings and improvements
Machinery, equipment and furniture
Transportation equipment
Computer software and equipment

We capitalize interest on capital invested in projects in accordance with Financial Accounting Standards Board (
guidance codified under ASC Topic 835, *Interest*. For fiscal 2009, 2008 and 2007, the total amount of interest c
$0.4 million, $0.9 million and $0.7 million, respectively. Upon commencement of operations, capitalized interes
component of the total cost of the asset, is amortized over the estimated useful life of the asset.

(f) Goodwill and Other Intangible Assets. We review the carrying values of goodwill and identifiable intangible
events or changes in circumstances indicate that such carrying values may not be recoverable and annually for g
indefinite lived intangible assets as required by guidance codified under ASC Topic 350, *Intangibles Goodwil*
Unforeseen events, changes in circumstances, market conditions and material differences in the value of intangi
to changes in estimates of future cash flows could negatively affect the fair value of our assets and result in a no
impairment charge. Some factors considered important that could trigger an impairment review include the follo
significant underperformance relative to expected historical or projected future operating results, significant cha
manner of our use of acquired assets or the strategy for our overall business and significant negative industry or
trends. In fiscal 2009, our one remaining reporting unit s fair value would have had to have been lower by more
compared to the fair value estimated in our impairment analysis before its carrying value would exceed the fair v
reporting unit, indicating that goodwill was potentially impaired. See Note 16.

(g) Revenue Recognition. We recognize revenues when the following conditions are met: persuasive evidence o
arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and
is reasonably assured. Generally, these criteria are met at the time product is shipped or services are complete. P
made upon sale for estimated product returns.

(h) Equity Raising and Deferred Financing Costs. Equity raising costs are recorded as a reduction to additional capital upon the execution of an equity transaction. In connection with the Exchange Offer on the Convertible N incurred $5.7 million in equity raising costs. Deferred financing costs are capitalized as incurred and amortized u effective interest method over the expected life of the debt. In a modification of debt, costs paid to the creditor a and costs paid to non-creditors are expensed as incurred.

(i) Cost of sales. Cost of sales includes the cost of inventory sold during the period, including costs for manufac inbound freight, receiving, inspection, warehousing, and internal transfers less vendor rebates.

69

Table of Contents

Costs associated with shipping and handling our products are included in cost of sales. Purchasing costs and eng
drafting costs are included in selling, general and administrative expense. Purchasing costs were $3.2 million, $3
and $3.7 million and engineering and drafting costs were $38.2 million, $53.9 million and $50.0 million in each
2009, 2008, and 2007, respectively. Approximately $2.2 million and $3.9 million of these selling, general and ad
costs were capitalized and remained in inventory at the end of fiscal 2009 and 2008, respectively.

(j) Warranty. We sell weathertightness warranties to our customers for protection from leaks in our roofing syst
to weather. These warranties range from two years to 20 years. We sell two types of warranties, standard and Si
Source^{tm}, and three grades of coverage for each. The type and grade of coverage determines the price to the cust
standard warranties, our responsibility for leaks in a roofing system begins after 24 consecutive leak-free month
Source^{tm} warranties, the roofing system must pass our inspection before warranty coverage will be issued. Inspe
typically performed at three stages of the roofing project: (i) at the project start-up; (ii) at the project mid-point;
project completion. These inspections are included in the cost of the warranty. If the project requires or the custo
additional inspections, those inspections are billed to the customer. Upon the sale of a warranty, we record the re
revenue as deferred revenue, which is included in other accrued expenses in our Consolidated Balance Sheets. W
deferred warranty revenue over the warranty coverage period in a manner that matches our estimated expenses r
warranty. Additionally, we assumed a warranty obligation relating to our acquisition of Robertson-Ceco II Corp
(RCC) of $7.6 million which represents the fair value of the future warranty obligations at the time of purcha
accrued warranty programs have similar terms and characteristics to our other warranty programs. See Note 8.

(k) Insurance. Group medical insurance is purchased through Blue Cross Blue Shield (BCBS). The plans inc
Provider Organization, or PPO, plan and an Exclusive Provider Organization, or EPO, plan. These plans are man
plans utilizing networks to achieve discounts through negotiated rates with the providers within these networks.
incurred under these plans are self-funded for the first $250,000 of each claim. We purchase specific stop loss re
limit our claims liability to $250,000 per claim. BCBS administers all claims, including claims processing, utiliz
and network access charges.

Insurance is purchased for workers compensation and employer liability, general liability, property and auto liab
physical damage. We utilize either deductibles or self-insurance retentions (SIR) to limit the exposure to cata
The workers compensation insurance has a $500,000 per occurrence deductible. The property and auto liability
have per-occurrence deductibles of $250,000. The general liability insurance has a $250,000 SIR. Umbrella insu
coverage is purchased to protect us against claims that exceed our per-occurrence or aggregate limits set forth in
respective policies. All claims are adjusted utilizing a third-party claims administrator.

Each reporting period, we record the costs of our health insurance plan, including paid claims, an estimate of the
incurred but not reported (IBNR) claims, taxes and administrative fees (collectively the Plan Costs) as gen
administrative expenses in our Consolidated Statements of Operations. The estimated IBNR claims are based up
recent average level of paid claims under the plan, (ii) an estimated lag factor and (iii) an estimated growth facto
for those claims that have been incurred but not yet paid. We use an independent actuary to determine the claims
estimated liability for IBNR claims.

For workers compensation costs, we monitor the number of accidents and the severity of such accidents to dev
appropriate estimates for expected costs to provide both medical care and benefits during the period of time an e
unable to work. These accruals are developed using independent actuarial estimates of the expected cost and len
employee will be unable to work based on industry statistics for the cost of similar disabilities. For general liabil
automobile claims, accruals are developed based on independent actuarial estimates of the expected cost to resol
claim based on industry statistics and the nature and severity of the claim. This statistical information is trended
estimates of future expected costs based on factors developed from our own experience of actual claims cost con

original

estimates. Each reporting period, we record the costs of our workers compensation, general liability and autom
including paid claims, an estimate of the change in incurred but not reported (IBNR) claims, taxes and admin
general and administrative expenses in our Consolidated Statements of Operations.

(l) Advertising Costs. Advertising costs are expensed as incurred. Advertising expense was $5.4 million, $6.9 m
$7.4 million in fiscal 2009, 2008 and 2007, respectively.

(m) Impairment of Long-Lived Assets. We assess impairment of property, plant, and equipment in accordance w
provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* We assess the recove
the carrying amount of property, plant and equipment if certain events or changes in circumstances indicate that
value of such assets may not be recoverable, such as a significant decrease in market value of the assets or a sign
change in our business conditions. If we determine that the carrying value of an asset is not recoverable based on
undiscounted future cash flows, excluding interest charges, we record an impairment loss equal to the excess of
amount of the asset over its fair value. The fair value of assets is determined based on prices of similar assets adj
their remaining useful life. During fiscal 2009, we adjusted our property, plant and equipment because we deter
carrying value of certain assets were not recoverable based on expected undiscounted future cash flows. We rec
impairments of $6.3 million in fiscal 2009. See Note 4 for asset impairments in fiscal 2009. We had no impairm
2008 or 2007.

(n) Share-Based Compensation. Compensation expense recorded for restricted stock awards under the intrinsic
is consistent with the expense that is recorded under the fair value-based method. We recorded the recurring pre
compensation expense relating to restricted stock awards of $4.3 million, $7.8 million and $5.9 million for fiscal
and 2007, respectively. The acceleration of the unamortized compensation expense upon the change in control w
$9.0 million and was included in change of control charges on the Consolidated Statement of Operations.

(o) Reclassifications. Certain reclassifications have been made to prior period amounts to conform to the curren
presentation.

(p) Foreign Currency Re-measurement and Translation. In accordance with guidance codified under ASC Topi
Foreign Currency Matters, the functional currency for our Mexico operations is the U.S. dollar. Adjustments res
the re-measurement of the local currency financial statements into the U.S. dollar functional currency, which use
combination of current and historical exchange rates, are included in net income in the current period. Net foreig
re-measurement losses are reflected in income for the period. For the fiscal year ended November 1, 2009, forei
re-measurement losses were immaterial and for the fiscal years ended November 2, 2008 and October 28, 2007 v
$(1.1) million and $(0.3) million, respectively.

The functional currency for our Canada operations is the Canadian dollar. Translation gains (losses) resulting fro
the functional currency financial statements into U.S. dollar equivalents are reported separately in accumulated o
comprehensive income in stockholders equity. Net foreign currency translation gain (loss), net of tax, and inclu
comprehensive income for the fiscal years ended November 1, 2009 and November 2, 2008 was $(0.2) million a
$0.3 million, respectively.

(q) Recent Accounting Pronouncements. In December 2008, the FASB issued guidance that has been codified u
Topic 715-20, *Defined Benefit Plans General* (ASC 715-20). ASC 715-20 provides guidance on an employ
about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets req
715-20 are effective for our fiscal year ended 2010 and are not required for earlier periods presented for compara
purposes. We will adopt the disclosure provisions required by ASC 715-20 in fiscal 2010.

In June 2008, the FASB issued guidance that has been codified under ASC Topic 260-10, *Earnings Per Share* (
This pronouncement provides that unvested share-based payment awards that contain non-forfeitable rights to di
dividend equivalents are participating securities and, therefore, should be included in computing earnings per
two class method. We will implement this statement in

71

Table of Contents

our fiscal year that begins November 2, 2009 and apply it as applicable. All prior period earnings per share data
adjusted retrospectively to conform with the provisions of this pronouncement. We are currently evaluating the i
pronouncement.

In May 2008, the FASB issued guidance that has been codified under ASC Topic 470-20, Debt with Conversion
Options (ASC 470-20). ASC 470-20 will change the accounting for certain convertible debt instruments, incl
Convertible Notes. Under the new rules, for convertible debt instruments that may be settled entirely or partially
conversion, an entity shall separately account for the liability and equity components of the instrument in a mann
reflects the issuer s economic interest cost. The effect of ASC 470-20 for our Convertible Notes is that the equi
will be included in the paid-in-capital section of stockholders equity on our consolidated balance sheet and the
equity component will be treated as an original issue discount for purposes of accounting for the debt componen
Convertible Notes. Higher interest expense will result by recognizing the accretion of the discounted carrying va
Convertible Notes to their face amount as interest expense over the term of the Convertible Notes using an effec
rate method. ASC 470-20 is effective for our fiscal year ended 2010, does not permit early application, and will
retrospectively to all periods presented. While this accounting pronouncement does not change the economic sul
cash flow requirements for the Convertible Notes, the amount reported as interest expense in our consolidated st
operations will increase due to the accretion of the discounted carrying value of the Convertible Notes to their fa
The Convertible Notes will also reflect higher than previously reported interest expense due to retrospective app
are currently evaluating the impact of adopting ASC 470-20 but anticipate the reported interest expense on our C
Notes will increase from 2.125% to 7.5%. The retroactive application of this pronouncement to fiscal years 2005
result in an increase to annual interest expense of approximately $7.5 million in fiscal 2005, gradually increasing
approximately $9.9 million in fiscal 2009. In October 2009, we completed the Exchange Offer to acquire $180 r
aggregate principal amount of the Convertible Notes. Therefore, we will not have additional prospective interest
upon adoption.

In February 2008, the FASB issued additional guidance codified under ASC 820-10, *Fair Value Measurements*
Disclosures (ASC 820-10). This Statement defines fair value, establishes a framework for measuring fair valu
disclosures about fair value measurements. ASC 820-10 partially delays the effective date for nonfinancial asset
nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements
basis (at least annually). We will adopt ASC 820-10 in our fiscal year that begins November 2, 2009 for nonrecu
non-financial assets and liabilities that are recognized or disclosed at fair value. However, we do not believe the
this accounting pronouncement for nonrecurring, non-financial assets and liabilities will have a material impact
consolidated financial statements.

In December 2007, the FASB issued guidance that has been codified under ASC Topic 810, *Consolidations* (A
Statement amends previous guidance to establish accounting and reporting standards for the noncontrolling inter
subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is
interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It re
consolidated net income to be reported at amounts that include the amounts attributable to both the parent and th
noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the an
consolidated net income attributable to the parent and to the noncontrolling interest. ASC 810 established a sing
accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation and
parent recognize a gain or loss in net income when a subsidiary is deconsolidated. In addition, ASC 810 requires
disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of
owners and the interests of the noncontrolling owners of a subsidiary. We will implement this statement in our f
begins November 2, 2009 and apply it as applicable. We currently do not have any ownership interest which wo
impacted by ASC 810.

In December 2007, the FASB issued guidance that has been codified under ASC Topic 805, *Business Combinat*
805). This pronouncement replaces previous guidance but retains the fundamental requirements of the previou
ASC 805 establishes principles and requirements for how the acquirer

72

recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and a
noncontrolling interest in the acquiree. In addition, ASC 805 recognizes and measures the goodwill acquired in t
combination or a gain from a bargain purchase and determines disclosures to enable users of the financial statem
evaluate the nature and financial effects of the business combination. We will implement this statement for all fu
acquisitions following the date of adoption in our fiscal year that begins November 2, 2009. The impact of adop
805 on our financial position or results of operations is dependent upon the nature and terms of business combin
that we may consummate in fiscal 2010 and thereafter.

3. CHANGES IN ACCOUNTING

FASB Codification Adoption

In June 2009, the FASB issued guidance that has been codified under ASC Topic 105, *Generally Accepted Acco
Principles* (ASC 105). This Statement establishes the FASB Accounting Standards Codification (Codific
officially launched July 1, 2009, to become the source of authoritative U.S. generally accepted accounting princi
recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Secur
Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative U.S.
registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates tha
included in the Codification. Generally, the Codification is not expected to change U.S. GAAP. All other accou
literature excluded from the Codification will be considered nonauthoritative. This pronouncement is effective f
statements issued for interim and annual periods ending after September 15, 2009. We adopted this pronouncem
fourth quarter of our fiscal year ending November 1, 2009 and have revised all references to authoritative accou
literature in accordance with the Codification.

ASC 825-10 Adoption

In April 2009, the FASB issued guidance that has been codified under ASC Topic 825-10, *Financial Instrument*
825-10). ASC 825-10 amends previous guidance to increase the frequency of fair value disclosures to a quarte
instead of an annual basis. The guidance relates to fair value disclosures for any financial instruments that are no
reflected on the balance sheet at fair value. This guidance also amends previous guidance to require those disclo
interim financial statements. We adopted ASC 825-10 on May 4, 2009. See Note 11 Fair Value of Financial In

ASC 815-10 Adoption

In March 2008, the FASB issued guidance that has been codified under ASC Topic 815-10, *Derivatives and Hed*
815-10). This Statement requires enhanced disclosures about an entity s derivative and hedging activities and
improves the transparency of financial reporting. Disclosing the fair values of derivative instruments and their ga
losses in a tabular format provides a more complete picture of the location in an entity s financial statements of
derivative positions existing at period end and the effect of using derivatives during the reporting period. Entitie
to provide enhanced disclosures about (a) how and why an entity uses derivative instruments; (b) how derivative
and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how deri
instruments and related hedged items affect an entity s financial position, financial performance and cash flows
ASC 815-10 on February 2, 2009. See Note 12 Derivative Instruments and Hedging Strategy.

ASC 820-10 Adoption

In September 2006, the FASB issued guidance that has been codified under ASC Topic 820-10, *Fair Value Mea
and Disclosures* (ASC 820-10). This Statement defines fair value, establishes a framework for measuring fai

expands disclosures about fair value measurements. We adopted ASC 820-10 on November 3, 2008 for financia
financial liabilities carried at fair value and non-financial assets and liabilities that are recognized or disclosed at
a recurring basis. The adoption of ASC

Table of Contents

820-10 did not have a material impact on our consolidated financial statements. See Note 13 Fair Value Meas

ASC 740-10 Adoption

In June 2006, the FASB issued guidance that has been codified under ASC Topic 740-10, *Income Taxes* (ASC clarifies the accounting for uncertainty in income taxes. ASC 740-10 prescribes a recognition and measurement position taken or expected to be taken in a tax return. ASC 740-10 requires that we recognize in the financial sta impact of a tax position only if that position is more likely than not of being sustained upon examination, based technical merits of the position. ASC 740-10 also provides guidance on derecognition, classification, interest an accounting in interim periods, disclosure and transition. We adopted ASC 740-10 on October 29, 2007. See disc impact of adoption in Note 17 Income Taxes.

SAB 108 Adoption

In September 2006, the SEC released SAB No. 108, *Considering the Effects of Prior Years Misstatements When Misstatements in Current Year* (SAB No. 108). SAB 108 requires that public companies utilize a dual appro assess the quantitative effects of financial misstatements. This dual approach includes both an income statement assessment, known as the rollover method, and a balance sheet focused assessment, known as the iron curta guidance in SAB 108 was initially required to be applied for NCI for the year ending October 28, 2007. The tra provisions of SAB 108 permitted companies to record errors identified during the year of adoption, if deemed to immaterial using a company s previous method of evaluating errors, as a cumulative effect adjustment to retain The transition provisions also required prior quarterly financial statements within the fiscal year of adoption to b although the transition provisions did not require those quarterly reports, previously filed with the SEC, to be an

We adopted the provisions of SAB 108 as of October 28, 2007. In accordance with the transition provisions of S recorded a $4.4 million cumulative decrease, net of tax of $2.8 million, to retained earnings as of October 30, 20 cumulative adjustment to decrease opening retained earnings related to an error identified in fiscal 2007 in our a employee paid time off liabilities which had historically been accrued one year in arrears from when the actual c earned by employees. The impact on fiscal 2007 of $0.5 million, net of tax of $0.3 million, was recorded as an i compensation expense in the fourth quarter of fiscal 2007.

We believe the impact of this adjustment is immaterial to prior years Consolidated Financial Statements under method of assessing materiality, and therefore elected, as permitted under the transition provisions of SAB 108, effect of this adjustment in the opening balance of the accrual for compensation and benefits as of October 30, 2 offsetting adjustment reflected as a cumulative effect adjustment to opening retained earnings as of October 30,

ASC 715-20 Adoption

In September 2006, the FASB issued guidance that has been codified under ASC Topic 715-20, *Compensation Benefits Defined Benefit Plans* (ASC 715-20). ASC 715-20 has two major provisions. The recognition and provision requires an employer to recognize a plan s funded status in its statement of financial position and rec changes in a defined benefit postretirement plan s funded status in comprehensive income in the year in which t occur. The measurement date provision requires an employer to measure a plan s assets and obligations as of th employer s fiscal year. We adopted this pronouncement s recognition and disclosure requirements as of Octob currently meet the ASC 715-20 requirement that the measurement date for plan assets and liabilities must coinci sponsor s year end. See discussion of the impact of adoption in Note 23 Employee Benefit Plans.

Table of Contents

4. PLANT RESTRUCTURING AND ASSET IMPAIRMENTS

Fiscal 2008 and 2009 Plans

As a result of the current market downturn, we began a phased process to resize and realign our manufacturing c
The purpose of these closures is to rationalize our least efficient facilities and to retool certain of these facilities
better utilize our assets and expand into new markets or better provide products to our customers, such as insulat
systems.

In November 2008, we approved the Phase I plan to close three of our engineered building systems manufacturi
addition, as part of the restructuring, we implemented a general employee reduction program. In a continuing ef
rationalize our least efficient facilities, in February 2009, we approved the Phase II plan to close one of our facil
the engineered building systems segment, and in April 2009, we approved the Phase III plan to close or idle thre
manufacturing facilities within the engineered building systems segment and two facilities within the metal com
segment. In addition, manufacturing at one of our metal components facilities was temporarily suspended and cu
functions as a distribution and customer service site. As part of the restructuring, we also added to the general en
reduction program. As a result of actions taken in Phase III, certain facilities are being actively marketed for sale
been classified as held for sale in the Consolidated Balance Sheet. We plan to sell these facilities by the end of f

Table of Contents

The following table summarizes our restructuring plan costs and charges related to the General, Phase I, Phase I
Phase III restructuring plans during each of the fiscal years presented (in thousands):

	Fiscal 2009	Fiscal 2008	Cost Incurred to Date	Remaining Anticipated Cost
General				
Severance	$ 2,987	$ 87	$ 3,074	$
Asset Relocation				
Other Cash Costs	57		57	
Asset Impairment	1,234		1,234	
Total General Program	4,278	87	4,365	
Repurposing and Phase I				
Severance	$ 1,016	$ 106	$ 1,122	$
Asset Relocation	303		303	181
Other Cash Costs	199		199	
Asset Impairment	1,634	157	1,791	
Total Plant Closing Phase I	3,152	263	3,415	181
Plant Closing Phase II				
Severance	$ 399	$	$ 399	$
Asset Relocation	22		22	
Other Cash Costs	442		442	92
Asset Impairment	30		30	
Total Plant Closing Phase II	893		893	92
Plant Closing Phase III				
Severance	$ 2,349	$	$ 2,349	$
Asset Relocation	219		219	339
Other Cash Costs	1,060		1,060	1,283
Asset Impairment	3,393		3,393	
Total Plant Closing Phase III	7,021		7,021	1,622
Total All Programs	$ 15,344	$ 350	$ 15,694	$ 1,895
Restructuring by Segment				
Buildings	7,522	61	7,583	1,645
Components	1,216	106	1,322	250
Coaters	103		103	
Corporate	211	27	238	
Total	$ 9,052	$ 194	$ 9,246	$ 1,895
Asset Impairments by Segment(1)				
Buildings	4,316	157	4,473	

Components		766				766	
Coaters							
Corporate		1,209				1,209	
Total	$	6,291	$	157	$	6,448	$

(1) The fair value of assets was determined based on prices of similar assets adjusted for their remaining usefu

76

Table of Contents

The following table summarizes our restructuring liability related to the Phase I, Phase II and Phase III restructu
thousands):

	Employee or Severance Costs	Other Costs
Balance at November 2, 2008	$ 193	$
Costs incurred	6,751	2,303
Cash payments	(5,622)	(2,303)
Other adjustments(1)	65	
Balance at November 1, 2009	$ 1,387	$

(1) Relates to the foreign currency translation.

Fiscal 2007 Plan

During the fourth quarter of fiscal 2007, we committed to a plan to exit our residential overhead door product lin
in our metal components segment. During the fiscal year ended November 2, 2008, we incurred expenses of $0.
related to this exit plan. In fiscal 2007, the residential door business produced revenue of $12.4 million and preta
$0.5 million. This line of business is not considered material and is, therefore, not presented as discontinued ope
consolidated financial statements.

5. ACQUISITIONS

On January 31, 2007, we completed the purchase of substantially all of the assets of Garco Building Systems, In
which designs, manufactures and distributes steel building systems primarily for markets in the northwestern Un
and western Canada. Garco is now a division of our Company and the results of Garco s operations beginning J
2007 are included in our Consolidated Financial Statements. Garco is headquartered in Spokane, Washington, w
operates a manufacturing facility for steel building systems for industrial, commercial, institutional and agricultu
applications. The aggregate purchase price for this acquisition was $17.2 million, comprised of $15.4 million in
$1.8 million in restricted common stock (35,448 shares). At the date of purchase, there was no excess of cost ov
of the acquired assets. We obtained third-party valuations of certain tangible and intangible assets. As a result of
work, we recorded $5.7 million in intangible assets which includes $2.5 million in customer relationships. The $
restricted NCI common stock relates to a 5-year non-compete agreements with certain of the sellers of Garco. W
expense the fair value of the restricted stock ratably over the terms of the agreements. In addition, we recorded $
property, plant and equipment and $5.0 million in working capital. Garco s results of operations are included in
building systems segment. This acquisition was not material to the financial statements as a whole, and accordin
forma information has not been provided.

6. RESTRICTED CASH

On May 21, 2009, we entered into a cash collateral agreement with our agent bank to obtain letters of credit secu
collateral which, in the aggregate, may not exceed $13.5 million. The restricted cash is invested in a secured cas
account. As of November 1, 2009, we had restricted cash in the amount of $13.0 million as collateral related to c
$12.1 million of letters of credit. Restricted cash is classified as current and non-current as the underlying letters
expire by December 2010.

Table of Contents

7. OTHER ACCRUED EXPENSES

Other accrued expenses are comprised of the following (in thousands):

	November 1, 2009	N
Accrued income tax	$	$
Customer deposits	**3,651**	
Accrued warranty obligation and deferred warranty revenue	**16,116**	
Accrued workers compensation and general liability insurance	**9,604**	
Sales and use tax payable	**2,121**	
Other accrued expenses	**20,963**	
Total other accrued expenses	**$ 52,455**	$

8. WARRANTY

The following table represents the rollforward of our accrued warranty obligation and deferred warranty revenue the fiscal years ended November 1, 2009 and November 2, 2008 (in thousands):

	November 1, 2009	N
Beginning balance	**$ 16,484**	$
Warranties sold	**2,628**	
Revenue recognized	**(1,273)**	
Costs incurred	**(259)**	
Adjustment(1)	**(1,313)**	
Other	**(151)**	
Ending balance	**$ 16,116**	$

(1) This adjustment relates to certain of the RCC warranty claims liabilities that were updated based on a chang claims processing procedures and revised analysis. This change was recorded in cost of sales in our Consol Statement of Operations during the first quarter of fiscal 2009.

9. SUPPLEMENTARY CASH FLOW INFORMATION

The following table sets forth interest and taxes paid in each of the three fiscal years presented (in thousands):

	Fiscal Year Ended		
	November 1, 2009	November 2, 2008	C
Interest paid, net of amounts capitalized	**$ 18,445**	$ 26,872	
Taxes paid	**5,645**	57,837	

In October 2009, we completed an exchange offer to acquire our existing $180 million aggregate principal amou
convertible senior subordinated notes due 2024 (the Convertible Notes) in exchange for a combination of $50
390 shares of NCI common stock for each $1,000 of Convertible Notes tendered and not withdrawn, with appro
99.9% of the outstanding Convertible Notes tendered and not withdrawn as of the expiration of the offer and by
subsequently accepted. This resulted in a non-cash reclassification from long-term debt to stockholders equity
approximately 70.2 million shares. See further discussion of these Convertible Notes in Note 10 Long-term D
Payable.

The dividends on the Convertible Preferred Stock accrue and accumulate on a daily basis and are included in the preference. Accrued dividends are recorded into Convertible Preferred Stock on the accompanying Consolidated Sheet. Dividends are accrued at the 12% paid in-kind rate and increased the Convertible Preferred Stock by $1.1 during fiscal 2009.

10. LONG-TERM DEBT AND NOTE PAYABLE

Debt is comprised of the following (in thousands):

		November 1, 2009	N
Amended and Restated Term Loan Credit Agreement (due April 2014, interest at 8.0% and 4.7% 6.3%, respectively)	**$**	**150,000**	$
2.125% Convertible Senior Subordinated Notes		**59**	
Industrial Revenue Bond		**190**	
		150,249	
Current portion of long-term debt		**(14,164)**	
Total long-term debt, less current portion	**$**	**136,085**	$

The scheduled maturity of our debt is as follows (in thousands):

2010
2011
2012
2013
2014 and thereafter

Amended Credit Agreement

Concurrently with the closing of the Equity Investment, on the Closing Date, we entered into the Amended Cred Agreement, an amendment to our Credit Agreement as in effect prior to such date with Wachovia Bank, Nationa Associations, as administrative agent, pursuant to which we repaid approximately $143.3 million of the $293.3 r principal amount of term loans outstanding under such credit agreement and modified the terms and maturity of remaining $150.0 million balance. The modified terms of the term loan require quarterly principal payments 0.2 principal amount of the term loan then outstanding as of the last day of each quarter and a final payment of appr $131.1 million at maturity on April 20, 2014.

The obligations under the Amended Credit Agreement are secured by a first priority lien on property, plant and and related assets such as our software, chattel paper, instruments and contract rights (excluding foreign operatio

100% of the capital stock and other equity interests in each of our direct and indirect operating domestic subsidi
of the capital stock in each of our foreign subsidiaries and a second lien on our accounts receivable and inventor

The Amended Credit Agreement contains a number of covenants that, among other things, limit or restrict the al
Company and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, pre
indebtedness, make dividends and other restricted payments, create liens, make investments, make acquisitions,
mergers, change the nature of their business and engage in certain transactions with affiliates.

The Amended Credit Agreement has no financial covenant test until October 30, 2011 which is the conclusion o
quarter of fiscal 2011, at which time the maximum ratio of total debt to Consolidated EBITDA is 5 to 1. This rat
down by 0.25 each quarter until October 28, 2012 at which time the

79

maximum ratio is 4 to 1. The ratio continues to step down by 0.125 each quarter until November 3, 2013 to a rat
which remains the maximum ratio for each fiscal quarter thereafter. We will, however, not be subject to this fina
covenant with respect to a specified period if certain prepayments or repurchases of the term loans under the Am
Agreement are made in the specified period. At November 1, 2009, we had no financial compliance covenants in
Amended Credit Agreement.

Borrowings under the Amended Credit Agreement may be repaid at any time, without premium or penalty but s
customary LIBOR breakage costs. We also have the ability to repurchase a portion of the term loans under the A
Credit Agreement, subject to certain terms and conditions set forth in the Amended Credit Agreement. In additio
certain exceptions, the Amended Credit Agreement requires mandatory prepayment and reduction in an amount

- the net cash proceeds of (1) certain asset sales, (2) certain debt offerings and (3) certain insurance recove condemnation events;
- 50% of annual excess cash flow (as defined in the Amended Credit Agreement) for any fiscal year endin October 31, 2010, unless a specified leverage ratio target is met; and
- the greater of $10.0 million and 50% of certain 2009 tax refunds (as defined in the Amended Credit Agre received by the Company.

We expect to make a mandatory prepayment on the Amended Credit Agreement in May 2010 in connection wit
tax refund. Therefore, an additional $12.9 million of principal under the Amended Credit Agreement has been c
current portion of long-term debt in our Consolidated Balance Sheet at November 1, 2009.

The Amended Credit Agreement limits our ability to pay cash dividends, except in certain specified circumstanc
prior to October 31, 2010 after which time we may pay any dividend in an amount not to exceed the available a
is defined as the sum of 50% of the consolidated net income from August 2, 2009 to the end of the most recent f
less 100% of any negative consolidated net income amount, plus net proceeds of property or assets received as c
contributions, less the sum of all dividends, payments or other distributions of such available amounts.

Term loans under the Amended Credit Agreement bear interest, at our option, as follows:

(1) Base Rate loans at the Base Rate plus a margin, which for term loans is 5%, until October 30, 2011. After th
margin fluctuates based on our leverage ratio and shall be either 5% or 3.5%. As of the first fiscal quarter comm
January 30, 2012, the margin in each case increases by 0.25% per annum on the first day of each fiscal quarter u
aggregate principal amount of loans outstanding under the Amended Credit Agreement in the immediately prece
quarter of the Company has been reduced by $3,750,000 (excluding scheduled principal amortization payments)
prior reductions not previously applied to prevent an increase in the applicable margin, and

(2) LIBOR loans at LIBOR (having a minimum rate of 2%) plus a margin, which for term loans is 6% until Oct
After that date, the LIBOR-linked margin fluctuates based on our leverage ratio and shall be either 6% or 4.5%.
fiscal quarter commencing January 30, 2012, the margin in each case increases by 0.25% per annum on the first
fiscal quarter unless the aggregate principal amount of term loans outstanding under the Amended Credit Agree
immediately preceding fiscal quarter of the Company has been reduced by $3,750,000 (excluding scheduled pri
amortization payments), less any prior reductions not previously applied to prevent an increase in the applicable

Overdue amounts will bear interest at a rate that is 2% higher than the rate otherwise applicable. Base rate is
highest of the Wachovia Bank, National Association prime rate or the overnight Federal Funds rate plus 0.5% a

LIBOR is defined as the applicable London interbank offered rate adjusted for reserves. The applicable marg
October 30, 2011 will be 5.00% on base rate loans and 6.00% on LIBOR loans under the Amended Credit Agre

In accordance with guidance that has been codified under ASC Topic 470-50, *Debt Modifications and Extingu* accounted for the amendment to our Amended Credit Agreement as a modification, and we have expensed $6.4 legal and other professional fees paid to third-parties in connection with amending the facility in fiscal 2009.

During June 2006, we entered into an interest rate swap agreement relating to $160 million of the term credit ag in effect, prior to its amendment and restatement as the Amended Credit Agreement due June 2010. At Novemb and November 2, 2008, the notional amount of the interest rate swap agreement was $65 million and $105 millio respectively. See Note 12 for further information.

ABL Facility

Concurrently with the closing of the Equity Investment, on October 20, 2009, the subsidiaries of the Company, I Inc. and Robertson-Ceco II Corporation and the Company entered into the ABL Facility, a loan and security agr $125.0 million asset-based loan facility. The ABL Facility allows us an aggregate maximum borrowing of up to $125.0 million. Borrowing availability on the ABL Facility is determined by a monthly borrowing base collatera that is based on specified percentages of the value of qualified cash, eligible inventory and eligible accounts rece certain reserves and subject to certain other adjustments. At November 1, 2009, our excess availability under the Facility was $70.4 million. The ABL Facility has a maturity of April 20, 2014 and includes borrowing capacity $25 million for letters of credit and up to $10 million for swingline borrowings.

An unused commitment fee is paid monthly on the ABL Facility at an annual rate of 1% through May 1, 2010 a at 1% or, if the average daily balance of the loans and letters of credit obligations for a given month is higher tha maximum credit then available, 0.75%. The calculation is determined on the amount by which the maximum cre the average daily principal balance of outstanding loans and letter of credit obligations. Additional customary fe connection with the ABL Facility also apply.

The ABL Facility limits our ability to pay cash dividends, except in certain specified circumstances, prior to Oct 2010, after which time we may pay dividends in the aggregate amount not to exceed the available amount which the sum of 50% of the adjusted consolidated net income from August 3, 2009 to the end of the most recent fiscal subject to there being no event default and the satisfaction of either certain excess availability conditions or a fix coverage ratio.

The obligations under the ABL Facility are secured by a first priority lien on 100% of our accounts receivable, i certain deposit accounts and our associated intangibles, subject to certain exceptions, and a second priority lien o securing the term loans under the Amended Credit Agreement on a first-lien basis.

The ABL Facility contains a number of covenants that, among other things, limit or restrict our ability to dispose incur additional indebtedness, incur guarantee obligations, engage in sale and leaseback transactions, prepay oth indebtedness, modify organizational documents and certain other agreements, create restrictions affecting subsid dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, c nature of their business and engage in certain transactions with affiliates.

Under the ABL Facility, a Dominion Event occurs if either an event of default is continuing or excess availab certain levels, during which period, and for certain periods thereafter, the administrative agent may apply all am Company s concentration account to the repayment of the loans outstanding under the ABL Facility, subject to Intercreditor Agreement (described below). In addition, during such Dominion Event, we are required to make m payments on our ABL Facility upon the occurrence of certain events, including the sale of assets and the issuanc each case subject to certain limitations and conditions set forth in the ABL Facility. If excess availability under t

Facility falls below certain levels, our ABL Facility also requires us to satisfy set financial tests relating to our fi
coverage ratio.

The ABL Facility includes a minimum fixed charge coverage ratio of one to one, which will apply if we fail to r
specified minimum level of borrowing capacity. The minimum level of borrowing capacity as of November 1, 2
$15.0 million.

Loans under the ABL Facility bear interest, at our option, as follows:

(1) Base Rate loans at the Base Rate plus a margin, which shall be 3.50% through April 30, 2010 and shall there
from 3.25% to 3.75% depending on the quarterly average excess availability under such facility, and

(2) LIBOR loans at LIBOR plus a margin, which shall be 4.50% through April 30, 2010 and shall thereafter ran
4.25% to 4.75% depending on the quarterly average excess availability under such facility.

During an event of default, loans under the ABL Facility will bear interest at a rate that is 2% higher than the rat
applicable. Base rate is defined as the highest of the Wells Fargo Bank, N.A. prime rate or the overnight Fede
plus 0.5% and LIBOR is defined as the applicable London interbank offered rate adjusted for reserves.

Intercreditor Agreement

The liens securing the obligations under the Amended Credit Agreement, the permitted hedging agreements and
guarantees thereof are first in priority (as between the Amended Credit Agreement and the ABL Facility) with re
stock, material real property and assets other than accounts receivable, inventory, certain deposit accounts, assoc
intangibles and certain other property of the Company and the guarantors, subject to certain exceptions. Such lie
in priority (as between the Amended Credit Agreement and the ABL Facility) with respect to accounts receivabl
certain deposit accounts, associated intangibles and certain other property of the Company and the guarantors, su
certain exceptions. The details of the respective collateral rights between lenders under the Amended Credit Agr
lenders under the ABL Facility are governed by an intercreditor agreement, dated as of the Closing Date, among
borrowers, the term loan administrative agent, the ABL Facility administrative agent and the other parties theret

Convertible Notes

In October 2009, we completed the Exchange Offer to acquire $180 million aggregate principal amount of the C
Notes. Approximately 99.9% of the outstanding Convertible Notes were tendered in the Exchange Offer, and ho
Convertible Notes received $500 in cash and 390 shares of our common stock for each $1,000 of Convertible N
The proceeds of the Equity Investment were used to pay the cash portion of the Exchange Offer, in an amount o
approximately $90.0 million. At November 1, 2009, we had retired all but $0.06 million of the Convertible Note

On December 9, 2009, we provided to holders of Convertible Notes irrevocable notice of our intent to redeem th
$0.06 million of remaining Convertible Notes on December 29, 2009. As of December 9, 2009 until December 2
the option of any holder of Convertible Notes, we are required to convert the principal amount of such holder s
Notes, or any portion of such principal amount that is a multiple of $1,000, into cash and fully paid shares of co
of the Company, in accordance with the terms, procedures and conditions outlined in the indenture pursuant to w
Convertible Notes were issued. As of November 1, 2009, the conversion rate for the Convertible Notes was 24.9
common stock per $1,000 in principal amount of the Convertible Notes. The terms of our Amended Credit Agre
our ABL Facility require us to redeem the Convertible Notes by January 15, 2010. We expect to redeem the Con
Notes by January 15, 2010, but if for any reason, we do not redeem the Convertible Notes by January 15, 2010,
constitute an event of default under both our Amended Credit Agreement and our ABL Facility.

Interest on the Convertible Notes is not deductible for income tax purposes, which creates a permanent tax diffe
reflected in our effective tax rate (as discussed further in Note 17). The Convertible Notes are general unsecured
and are subordinated to our present and future senior indebtedness.

In accordance with guidance that has been codified under ASC Topic 470-50, *Debt Modifications and Extingu*
have expensed $3.5 million of unamortized deferred financing costs related to the Convertible Notes. In additio
recorded $84.5 million of debt extinguishment costs and $5.7 million of capitalized equity raising costs.

The debt extinguishment costs are determined based on the net of the inducement loss and the settlement gain. I
with guidance that has been codified under ASC Topic 470-20, *Debt Debt with Conversion and Other Option*
470-20), we are required to recognize an expense equal to the fair value of all securities issuable pursuant to th
conversion terms. In accordance with the original conversion terms of the Convertible Notes, the expected fair v
common stock issuable upon conversion is approximately $266.1 million (based on a $2.51 closing stock price f
stock as of October 19, 2009) as compared to the expected fair value of common stock issuable pursuant to the e
offer of approximately $11.3 million. This resulted in an induced conversion charge of $254.8 million. ASC 470
us to account for the settlement of the Convertible Notes as a debt extinguishment. When extinguishment debt is
reacquisition price of the debt would include the cash payment for the accreted value of the debt and the fair val
equity instruments issued to settle the conversion spread. The original conversion rate is 24.9121 shares per $1,0
principal and the exchange of the Convertible Notes results in 390 shares per $1,000 of principal. The change in
rate based on a $2.51 closing stock price for common stock as of October 19, 2009 resulted in a gain on settleme
$170.3 million.

Potential Pre-packaged bankruptcy costs

Costs related to potential pre-packaged bankruptcy are expensed as incurred. During fiscal 2009, we expensed $
pre-packaged bankruptcy costs which are included in debt extinguishment and refinancing costs in our Consolid
Statement of Operations. All potential pre-packaged bankruptcy costs were incurred in connection with the Reca
Plan and were expensed in fiscal 2009.

Deferred Financing Costs

At November 1, 2009 and November 2, 2008, the unamortized balance in deferred financing costs was $20.6 mi
$4.6 million, respectively. During fiscal 2008, we deferred financing costs of $0.9 million related to the Recapit
which was included in prepaid expenses and other assets in the Consolidated Balance Sheet.

Insurance Note Payable

The note payable is related to financed insurance premiums and, as of November 1, 2009 we had outstanding a n
in the amount of $0.5 million. Insurance premium financings are generally secured by the unearned premiums u
policies.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, trade accounts receivable and accounts payable approximate
of November 1, 2009 and November 2, 2008 because of the relatively short maturity

Table of Contents

of these instruments. The fair values of the remaining financial instruments recognized on our Consolidated Bal
the respective fiscal year ends were:

	November 1, 2009		November
	Carrying Amount	Fair Value	Carrying Amount
	(In thousands)		(In thous
2.125% Convertible Senior Subordinated Notes	**$ 59**	**$ 97**	$ 180,000
$150 Million Amended Credit Agreement	**$ 150,000**	**$ 138,000**	
$400 Million Credit Agreement			$ 293,200

The fair value of the Convertible Notes was determined from the market rates as of the last trading day prior to o
end. The fair value of each of the Amended Credit Agreement and the Credit Agreement was based on recent tra
activities of comparable market instruments.

12. DERIVATIVE INSTRUMENT AND HEDGING STRATEGY

Interest Rate Risk

We are exposed to interest rate risk associated with fluctuations in the interest rates on our variable interest rate
to manage this risk, on June 15, 2006, we entered into a forward interest rate swap agreement (Swap Agreeme
portion of our $400 million Credit Agreement with a notional amount of $160 million beginning October 11, 20
notional amount decreased to $145 million on October 11, 2007, decreased to $105 million on October 14, 2008
decreased again to $65 million on October 13, 2009. The term of the Swap Agreement expires on June 17, 2010
Swap Agreement, we will pay a fixed rate of 5.55% on a quarterly basis in exchange for receiving floating rate p
based on the three-month LIBOR rate. We designated the Swap Agreement as a cash flow hedge. The fair value
Agreement as of November 1, 2009 and November 2, 2008, was a liability of approximately $2.2 million and $3
respectively, and is included in other accrued expenses in the Consolidated Balance Sheet. The fair value of the
Agreement excludes accrued interest and takes into consideration current interest rates and current creditworthi
the counterparty, as applicable.

During the fourth quarter of fiscal 2009, in connection with our refinancing and Amended Credit Agreement, we
terms of the Credit Agreement to include a 2% LIBOR minimum market interest rate. Based on the current expe
rates over the remaining term of the Swap Agreement, the forecasted market rate interest payments have been ef
converted to fixed rate interest payments making the Swap Agreement both ineffective and the underlying hedg
no longer probable. Therefore, during fiscal 2009, we reclassified to interest expense the remaining $3.1 million
losses recorded to accumulated other comprehensive income (loss). For fiscal 2009, we have reduced interest ex
$2.5 million as a result of the changes in fair value of the hedge and we reclassified $4.8 million into earnings as
the discontinuance of the hedge designation of the Swap Agreement.

Embedded Derivative Bifurcated From Convertible Preferred Stock (See Note 14)

The terms of the Convertible Preferred Stock include a default dividend rate of 3% per annum if, with certain ex
fail to (1) pay holders of Convertible Preferred Stock, on an as-converted basis, in cash, dividends paid on share
common stock; (2) following the date that there are no Convertible Notes outstanding, pay, in cash or kind, any
(other than dividends payable pursuant to the preceding clause (1)) payable to holders of Preferred Shares pursu

Certificate of Designations, Preferences and Rights of the Series B Cumulative Convertible Participating Preferr
Certificate of Designations) on the applicable quarterly dividend payment date; (3) after June 30, 2010, reserv
available for issuance the number of shares of our common stock equal to 110% of the number of shares of com
issuable upon conversion of all outstanding shares of Convertible Preferred Stock; (4) maintain the listing of our
stock on the New York Stock Exchange or another U.S. national securities exchange; (5) comply with our oblig
convert the Convertible Preferred Stock in accordance with our obligations under the Certificate of Designations
Convertible Preferred Stock in compliance with the Certificate of

84

Table of Contents

Designations; or (7) comply with any dividend payment restrictions with respect to junior securities dividends. I
when a 3% per annum default dividend rate is in effect after June 30, 2011 we fail to reserve and keep available
common shares pursuant to the terms of the Certificate of Designations the default dividend rate shall increase t
such default is no longer continuing. The default dividend represents an embedded derivative which is bifurcate
Equity Investment host contract. See Note 14 for further discussion of the Convertible Preferred Stock Investme
Agreement.

To determine the level 3 fair value of the embedded derivative, we used a probability-weighted discounted cash
and assigned probabilities for each qualified default event. At November 1, 2009, we recorded the fair value of t
derivative of $1.0 million in other accrued liabilities on the Consolidated Balance Sheet. The majority of the val
derivative was derived from the default dividend rate. As discussed further in Note 14, our majority equity holde
its intent to vote for the proposed reverse stock split. As this event is expected to occur in the second quarter of f
the value of this derivative is expected to decrease substantially in fiscal 2010. The change in fair value in other
expense was inconsequential in fiscal 2009.

At November 1, 2009 and November 2, 2008, the fair value carrying amount of our derivative instruments were
follows (in thousands):

		Liability Derivatives			
	Balance Sheet Location		November 1, 2009 Fair Value		Nov Fa
Derivative designated as hedging instrument under ASC 815:					
Interest rate contract	Other long-term liabilities	$		$	
Derivatives not designated as hedging instruments under ASC 815:					
Interest rate contract	Other accrued expenses	**$**	**2,208**	$	
Embedded derivative	Other accrued expenses		**1,041**		
Total derivatives not designated as hedging instrument under ASC 815		**$**	**3,249**	$	
Total derivatives		**$**	**3,249**	$	

The effect of derivative instruments on the Consolidated Statement of Income for the fiscal years ended Novemb
and November 2, 2008 was as follows (in thousands):

Derivative in ASC 815 Cash Flow Hedging	Amount of Loss Recognized in OCI on Derivative (Effective Portion)	Location of Loss Reclassified from Accumulated OCI into Income (Loss)	Amoun Recla from Acc OCI int (Effectiv November 1

Relationship	November 1, 2009	November 2, 2008	(Effective Portion)	2009
Interest rate contract	$ (739)	$ (428)	Interest expense	$ (1,756)

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Loss Recognized in Income (Loss) on Derivative November 1, 2009	November 2, 2008	Location of Loss Recognize (Loss) on Derivat
Interest rate contract	$ (3,072)	$	Interest expense

At November 2, 2008, accumulated other comprehensive loss associated with the Swap Agreement previously q hedge accounting treatment was $(2.4) million, net of income tax effects.

Table of Contents

13. FAIR VALUE MEASUREMENTS

Effective November 3, 2008, we adopted the guidance that has been codified under ASC 820-10 related to asset
liabilities recognized or disclosed in the financial statements at fair value on a recurring basis. ASC 820-10 defi
establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 8
applies to other accounting pronouncements that require or permit fair value measurements, but does not require
value measurements. The adoption of these provisions did not have a material effect on our consolidated financi

ASC 820-10 clarifies that fair value is an exit price, representing the price that would be received to sell an asse
transfer a liability in an orderly transaction between market participants based on the highest and best use of the
liability. As such, fair value is a market-based measurement that should be determined based on assumptions tha
participants would use in pricing an asset or liability. ASC 820-10 requires us to use valuation techniques to me
value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are
follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabili
market-corroborated inputs.

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our ow
about how market participants would price the assets or liabilities.

The following table summarizes information regarding our financial assets and liabilities that are measured at fa
November 1, 2009 (in thousands):

	Level 1	Level 2	Level 3
Assets:			
Short-term investments in deferred compensation plan(1)	$ 3,359		
Liabilities:			
Deferred compensation plan liability	$ (3,480)		
Interest rate contract		(2,208)	
Embedded derivative			(1,041)
Total liabilities	$ (3,480)	(2,208)	(1,041)

(1) Unrealized holding gains (losses) for the fiscal years ended November 1, 2009 and November 2, 2008 was
and $(1.1) million, respectively. These unrealized holding gains (losses) are primarily offset by changes in
compensation plan liability.

The following table summarizes the activity in Level 3 financial instruments during fiscal 2009:

N

Beginning balance	$
Addition	
Ending balance	**$**

14. SERIES B CUMULATIVE CONVERTIBLE PARTICIPATING PREFERRED STOCK

Execution of Investment Agreement

On August 14, 2009, the Company entered into an Investment Agreement (as amended, the Investment Agreen between the Company and Clayton, Dubilier & Rice Fund VIII, L.P. (CD&R Fund VIII), pursuant to which t agreed to issue and sell to CD&R Fund VIII, and CD&R Fund VIII agreed to purchase from the Company, for a purchase price of $250 million (less

Table of Contents

reimbursement to CD&R Fund VIII or direct payment to its service providers of up to $14.5 million in the aggre
transaction expenses and a deal fee, paid to Clayton, Dubilier & Rice, Inc. (CD&R, Inc.), the manager of CD
of $8.25 million), 250,000 Preferred Shares. Pursuant to the Investment Agreement, on October 20, 2009 (the
the Company issued and sold to the CD&R Funds, and the CD&R Funds purchased from the Company, an aggre
250,000 Preferred Shares, representing approximately 196.1 million common shares or 68.4% of the voting pow
common stock of the Company on an as-converted basis.

Certain Terms of the Convertible Preferred Stock

In connection with the consummation of the Equity Investment, on October 19, 2009 we filed the Certificate of
setting forth the terms, rights, obligations, and preferences of the Convertible Preferred Stock.

Liquidation Value. Each Convertible Preferred Share has an initial liquidation preference of $1,000.

Rank. The Convertible Preferred Stock ranks senior as to dividend rights and liquidation to the common stock o
company and all other classes of capital or series of our Company s preferred stock and junior to each class or s
securities of the Company, whether currently issued or issued in the future, that by its terms ranks senior to the C
Preferred Stock.

Dividends. Dividends on the Convertible Preferred Stock are payable, on a cumulative daily basis, as and if dec
our board of directors, at a rate per annum of 12% of the liquidation preference of $1,000 per Preferred Share if
or at a rate per annum of 8% of the liquidation preference of $1,000 per Preferred Share if paid in cash. Member
board of directors who are independent of directors affiliated with the CD&R Funds, have the right to choose wh
dividends are paid in cash or in-kind, subject to the conditions of the Amended Credit Agreement and ABL Faci
being limited in our ability to pay cash dividends until the first quarter of fiscal 2011 under the Amended Credit
and until October 20, 2010 under the ABL Facility, except for certain specified purposes.

The dividend rate will increase by 3% per annum above the rates described in the preceding paragraph upon and
certain specified defaults and, after June 30, 2011, will increase by up to 6% per annum above the rates describe
preceding paragraph upon and during any such specified default if due to the failure to have sufficient authorize
unissued shares of common stock of the Company to convert all outstanding Preferred Shares.

In addition to any dividends declared and paid as described in the preceding paragraphs, holders of the outstandi
Shares also have the right to participate equally and ratably, on an as-converted basis, with the holders of shares
stock of the Company in all cash dividends and distributions paid on the common stock.

If, at any time after the 30-month anniversary of the Closing Date, the trading price of the common stock of the
exceeds 200% of the initial conversion price (as defined in the Certificate of Designations) for each of 20 consec
days, the dividend rate (excluding any applicable adjustments as a result of a default) will become 0.00%. Howe
not preclude the payment of default dividends after the 30-month anniversary of the Closing Date. We expect th
each quarter of fiscal 2010 to be paid in-kind as a result of certain restrictions on our Amended Credit Agreemen
Facility and have, therefore, accrued a pro rata 12% rate per annum. See Note 10 for more information on our A
Credit Agreement and ABL Facility.

Convertibility and Antidilution Adjustments. To the extent that we have authorized but unissued shares of comm
holders of Preferred Shares will have the right, at any time and from time to time, at their option, to convert any
Preferred Shares, in whole or in part, into fully paid and non-assessable shares of our common stock at the conv
initially equal to $1.2748 and subject to adjustment as set forth in the Certificate of Designations. The number o

common stock of the Company into which a Preferred Share can be convertible is determined by dividing the lic
preference in effect at the time of conversion by the conversion price in effect at the time of conversion.

The conversion price is subject to customary anti-dilution adjustments, including stock dividends and issuance o
common stock at a price below the then-current market price and, within the first three years after the Closing D
of our common stock below the conversion price.

Vote. Holders of Preferred Shares generally are entitled to vote with the holders of the shares of our common st
matters submitted for a vote of holders of shares of our common stock (voting together with the holders of share
common stock as one class) and are entitled to a number of votes equal to the number of votes to which shares o
stock issuable upon conversion of such available Preferred Shares would have been entitled (without any limitat
our authorized but unissued shares of our common stock) if such shares of our common stock had been outstand
time of the applicable vote and related record date.

Additionally, certain matters require the approval of the holders of a majority of the outstanding available Prefer
voting as a separate class, including (1) amendments or modifications to the Company s Certificate of Incorpor
or the Certificate of Designation, (2) authorization, creation, increase in the authorized amount of, or issuance of
series of senior securities or any security convertible into, or exchangeable or exercisable for, shares of senior se
(3) any increase or decrease in the authorized number of Preferred Shares or the issuance of additional Preferred
subject to certain exceptions.

Milestone Redemption Right. The Company has the right, at any time on or after the tenth anniversary of the Cl
redeem in whole, but not in part, all then-issued and outstanding shares of Convertible Preferred Stock in accord
procedures set forth in the Certificate of Designations. Any holder of Convertible Preferred Stock has the right, a
or after the tenth anniversary of the Closing Date, to require that the Company redeem all, but not less than all, o
Convertible Preferred Stock in accordance with the procedures set forth in the Certificate of Designations.

Change of Control Redemption Right. Upon a Change of Control (as defined in the Certificate of Designations)
the CD&R Funds do not own 45% or more of the voting power of the Company or are otherwise able to designa
of the directors on the board of directors, holders of Preferred Shares are able to require redemption by the Com
whole but not in part, of the Convertible Preferred Stock (1) if redeemed after the fourth anniversary of the Clos
the liquidation value of such Preferred Shares or (2) if redeemed prior to the fourth anniversary of the Closing D
liquidation value of such Preferred Shares plus a make-whole premium equal to the net present value of the sum
dividends that would otherwise be payable on and after the redemption date, to and including such fourth annive
assuming that such dividends are paid in cash.

In the event of a merger or other business combination in which the holders of shares of our common stock rece
securities of an unaffiliated entity as consideration for such shares, if the holder of Preferred Shares does not exe
change of control redemption right as described above, such holder will be entitled to receive, pursuant to such r
business combination, the consideration such holder would have received for its Preferred Shares had it convert
immediately prior to the merger or business combination transaction.

Restriction on Dividends on Junior Securities. Except for ordinary cash dividends and dividends payable solely
our common stock or other junior securities, the Company is prohibited from paying any dividend with respect t
common stock or other junior securities or repurchasing or redeeming any shares of our common stock or other j
securities, unless, in each case, we have sufficient access to lawful funds immediately following such action suc
would be legally permitted to redeem in full all Preferred Shares then outstanding.

Accounting for Convertible Preferred Stock

In accordance with guidance that has been codified under ASC Topic 815, *Derivatives and Hedging*, and ASC T
Distinguishing Liabilities from Equity, we classified the Convertible Preferred Stock as mezzanine equity becau
Convertible Preferred Stock (1) can be settled in cash or common shares,

(2) contains change of control rights allowing for early redemption, and (3) contains Milestone Redemption Rig
allow the convertible preferred stock to remain outstanding without a stated maturity date.

In addition, the Convertible Preferred Stock includes features that are required to be bifurcated and recorded at f
classified the Convertible Preferred Stock as an equity host contract because of (1) the voting rights, (2) the part
dividends on common stock and mandatory, cumulative preferred stock dividends, and (3) the Milestone Redem
which allows the convertible preferred stock to remain outstanding without a stated maturity date. We then dete
the conditions resulting in the application of the default dividend rate are not clearly and closely related to this e
contract and we bifurcated and separately recorded these features at fair value (See Note 12 Derivative Instrume
Hedging Strategy).

The Convertible Preferred Stock, at execution, was recorded with a book value of $221.6 million which is the $2
initial liquidation preference less $27.7 million of direct transaction costs and $0.6 million for the fair value, net
tax, of the bifurcated embedded derivative liability related to the dividend default rate. The $28.4 million differe
the book value and the initial liquidation preference is accreted using the effective interest rate method from the
the contract to the Milestone Redemption Right date or 10 years. The accretion recorded for fiscal 2009 is $0.1 r

Because the dividends accrue and accumulate on a daily basis and are included in the liquidation preference, acc
dividends are recorded into Convertible Preferred Stock. Dividends are accrued at the 12% paid in-kind rate and
Convertible Preferred Stock by $1.1 million during fiscal 2009. As such, as of November 1, 2009, the book valu
Convertible Preferred Stock is $222.8 million.

In accordance with guidance that has been codified under ASC Topic 470-20, *Debt with Conversion and Other*
Convertible Preferred Stock contains a beneficial conversion feature because it was issued with a conversion pri
per common share equivalent and the closing stock price per common share just prior to the execution of the Eq
Investment was $2.51. The intrinsic value of the beneficial conversion feature cannot exceed the issuance proce
Convertible Preferred Stock less the cash paid to the CDR Funds, and thus is $241.4 million. At November 1, 20
8.2 million of the potentially 196.1 million common shares, if converted, are authorized and unissued. Therefore
$10.5 million of the beneficial conversion feature was recognized in fiscal 2009. The remaining $230.9 million
beneficial conversion feature will be recognized when the contingency related to the availability of authorized sl
resolved.

As of November 1, 2009, the Preferred Shares are convertible into 196.1 million shares of common stock, at a c
price of $1.2748. However, as of that date, only approximately 8.2 million shares of common stock were authori
unissued, and therefore, the CD&R Funds may not fully convert the Preferred Shares. To the extent that the CD
to convert their Preferred Shares, as of November 1, 2009, their conversion right was limited to conversion of th
Shares into the approximately 8.2 million shares of common stock that are currently authorized and unissued. W
submit to a shareholder vote, at our annual meeting of shareholders, a proposal to amend the Company s certifi
incorporation to effect a reverse stock split of the common stock of the Company. We expect the shareholders to
of the reverse stock split at the annual meeting and we expect that, following the completion of the reverse stock
CD&R Funds will be able to convert 100% of their Preferred Shares into shares of common stock.

15. RELATED PARTIES

Pursuant to the Investment Agreement and a Stockholders Agreement (the Stockholders Agreement), dated a
Date between the Company and the CD&R Funds, the CD&R Funds have the right to designate a number of dir
board of directors that is equivalent to the CD&R Funds percentage interest in the Company. Among other dire
appointed by the CD&R Funds, our board of directors appointed to the board of directors James G. Berges, Nath

Sleeper and Jonathan L. Zrebiec. Messrs. Berges and Sleeper are partners and Mr. Zrebiec is a principal of Clay
Dubilier & Rice, LLC, (CD&R, LLC), an affiliate of the CD&R Funds.

As a result of their respective positions with CD&R, LLC and its affiliates, one or more of Messrs. Berges, Sleep
Zrebiec may be deemed to have an indirect material interest in certain agreements executed in connection with t
Investment. Messrs. Berges, Sleeper and Zrebiec may be deemed to have an indirect material interest in the follo
agreements:

the Investment Agreement, pursuant to which the CD&R Funds acquired a 68.4% interest in the Compan
Fund VIII s transaction expenses were reimbursed and a deal fee of $8.25 million was paid to CD&R, In
indirectly controls CD&R, LLC, on the Closing Date;

the Stockholders Agreement, which sets forth certain terms and conditions regarding the Equity Investm
CD&R Funds ownership of the Preferred Shares, including certain restrictions on the transfer of the Pr
and the shares of our common stock issuable upon conversion thereof and on certain actions of the CD&
their controlled affiliates with respect to the Company, and to provide for, among other things, subscripti
corporate governance rights and consent rights as well as other obligations and rights;

a Registration Rights Agreement, dated as of the Closing Date (the Registration Rights Agreement), b
Company and the CD&R Funds, pursuant to which the Company granted to the CD&R Funds, together w
other stockholder of the Company that may become a party to the Registration Rights Agreement in acco
its terms, certain customary registration rights with respect to the shares of our common stock issuable u
conversion of the Preferred Shares; and

an Indemnification Agreement, dated as of the Closing Date between the Company, NCI Group, Inc., a w
subsidiary of the Company, Robertson-Ceco II Corporation, a wholly owned subsidiary of the Company
Funds and Clayton, Dubilier & Rice, Inc., pursuant to which the Company, NCI Group, Inc. and Roberts
Corporation agreed to indemnify CD&R, Inc., the CD&R Funds and their general partners, the special li
of CD&R Fund VIII and any other investment vehicle that is a stockholder of the Company and is mana
CD&R, Inc. or any of its affiliates, their respective affiliates and successors and assigns and the respectiv
officers, partners, members, employees, agents, representatives and controlling persons of each of them,
respective partners, members and controlling persons, against certain liabilities arising out of the Equity
and transactions in connection with the Equity Investment, including, but not limited to, the Amended Cr
Agreement, the ABL Facility, the Exchange Offer, and certain other liabilities and claims.

16. GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with guidance that has been codified under ASC Topic 350, *Intangibles Goodwill and Other*, go
tested for impairment at least annually at the reporting unit level, which is defined as an operating segment or a c
an operating segment that constitutes a business for which financial information is available and is regularly revi
management. Management has determined that we have six reporting units for the purpose of allocating goodwi
subsequent testing of goodwill for impairment. Our metal components and engineered building systems segmen
split into two reporting units and the metal coil coating segment is its own reporting unit for goodwill impairmen
purposes.

Subsequent to our fiscal 2008 annual assessment of the recoverability of goodwill and indefinite lived intangible
beginning largely in late September, our stock price and market capitalization decreased from $36.51 and $720.3
respectively, at July 27, 2008 to $18.61 and $367.3 million, respectively, at November 2, 2008. We evaluated w
recent decline in our stock price and market capitalization represents a significant decline in the underlying fair v
Company. Based upon our analysis we concluded that the decline in our stock price and the resulting decline in
capitalization did not require us to perform an additional goodwill and indefinite lived intangibles impairment te

did not believe the decline was caused by significant underperformance of the Company relative to historical or future operating results, a significant change in the manner of our use of the acquired assets or the strategy for ou business, or a significant sustained negative industry or economic trend.

Table of Contents

However, based on lower than projected sales volumes in our first quarter of fiscal 2009 and based on a revised
for non-residential construction activity in 2009, management reduced the Company s cash flow projections. W
that this reduction was an impairment indicator requiring us to perform an interim goodwill impairment test for
six reporting units as of February 1, 2009. As a result of this impairment indicator, we updated the first step of o
impairment test in the first quarter of fiscal 2009. The first step of our goodwill impairment test determines fair
reporting unit based on a blend of estimated discounted cash flows, publicly traded company multiples and acqu
multiples reconciled to our recent publicly traded stock price, including a reasonable control premium. The resu
model was then weighted and combined into a single estimate of fair value. We determined that our carrying va
our fair value at most of our reporting units in each of our operating segments, indicating that goodwill was pote
impaired. As a result, we initiated the second step of the goodwill impairment test which involved calculating th
value of our goodwill by allocating the fair value of the reporting unit to all assets and liabilities other than good
comparing it to the carrying amount of goodwill. The fair value of each of the reporting unit s assets and liabili
determined based on a combination of prices of comparable businesses and present value techniques.

As of February 1, 2009, we estimated the market implied fair value of our goodwill was less than its carrying va
approximately $508.9 million, which was recorded as a goodwill impairment charge in the first quarter of fiscal
charge was an estimate based on the result of the preliminary allocation of fair value in the second step of the go
impairment test. However, due to the timing and complexity of the valuation calculations required under the sec
the test, we were not able to finalize our allocation of the fair value until the second quarter of fiscal 2009 with r
property, plant and equipment and intangible assets in which their respective values are dependent on property,
equipment. The finalization was included in our goodwill impairment charge in the second quarter of fiscal 200

Further declines in cash flow projections and the corresponding implementation of the Phase III restructuring pl
management to determine that there was an indicator requiring us to perform another interim goodwill impairme
each of our reporting units with goodwill remaining as of May 3, 2009. As a result of this impairment indicator,
performed the first step of our goodwill impairment test in the second quarter of fiscal 2009, the results of which
that our carrying value exceeded our fair value at most of our reporting units with goodwill remaining, indicatin
goodwill was potentially impaired. As a result, we initiated the second step of the goodwill impairment test. As
2009, we determined the market implied fair value of our goodwill was less than the carrying value for certain r
by approximately $102.5 million, which has been recorded as a goodwill impairment charge in the second quart
2009.

At the beginning of the fourth quarter of each fiscal year, we perform an annual assessment of the recoverability
and indefinite lived intangibles. Additionally, we assess goodwill and indefinite lived intangibles for impairmen
events or changes in circumstances indicate that such carrying values may not be recoverable. We completed ou
assessment of the recoverability of goodwill and indefinite lived intangibles in the fourth quarter of fiscal 2009
determined that no further impairments of our goodwill or long-lived intangibles were required.

Our goodwill balance and changes in the carrying amount of goodwill by operating segment are as follows (in th

	Metal Coil Coating	Metal Components	Engineered Building Systems
Balance as of October 28, 2007	$ 98,959	$ 149,180	$ 368,261
Transfer(1)		(1,940)	1,940
Other			226

Balance as of November 2, 2008	$ 98,959	$ 147,240	$ 370,427
Impairments	(98,959)	(147,240)	(365,227)
Balance as of November 1, 2009	$	$	**$ 5,200**

(1) During the fourth quarter of fiscal 2008, we changed the reporting structure and management team respons better align certain of our products in order to respond effectively to current market opportunities. As a resu change, certain amounts of goodwill have been transferred accordingly. Fiscal 2007 segment presentation h reclassified to conform to fiscal 2008 presentation.

The following table represents all our intangible assets activity for the fiscal years ended November 1, 2009 and 2008 (in thousands):

	Range of Life (Years)		November 1, 2009	N
Amortized intangible assets:				
Cost:				
Trade names	15	**$**	**5,588**	$
Backlog	1		**3,019**	
Customer lists and relationships	15		**8,710**	
Non-competition agreements	5-10		**8,132**	
Property rights	7		**990**	
		$	**26,439**	$
Accumulated Amortization:				
Trade names		**$**	**(1,719)**	$
Backlog			**(3,019)**	
Customer lists and relationships			**(1,937)**	
Non-competition agreements			**(4,236)**	
Property rights			**(613)**	
		$	**(11,524)**	$
Net book value		**$**	**14,915**	$
Indefinite-lived intangible assets:				
Trade names, beginning of year		**$**	**24,704**	$
Impairments			**(11,249)**	
Trade names, end of year			**13,455**	
Total intangible assets at net book value		**$**	**28,370**	$

RCC s Star and Ceco trade name assets have an indefinite life and are not amortized, but are reviewed annually impairment. The RCC trade names were determined to have indefinite lives due to the length of time the trade n been in place, with some having been in place for decades. Our past practice with other significant acquisitions a intentions are to maintain the trade names indefinitely.

As a result of the aforementioned goodwill impairment indicators and in accordance with SFAS 142, we perforn
impairment analysis on our indefinite lived intangible asset related to RCC s trade names in our engineered bui
segment to determine the fair value. Based on changes to our projected cash flows in the first quarter of fiscal 20
on the lower projected cash flows and related Phase III restructuring plan in the second quarter of fiscal 2009, w
the carrying cost exceeded the future fair value attributable to the intangible asset, and recorded impairment char
$8.7 million in the first quarter of fiscal 2009 and $2.4 million in the second quarter of fiscal 2009 related to the
asset.

All other intangible assets are amortized on a straight-line basis over their expected useful lives. As of Novembe
weighted average amortization period for all our intangible assets was 13.3 years.

92

Amortization expense of intangibles was $2.1 million, $2.2 million and $3.4 million for fiscal 2009, 2008 and 2
respectively. We expect to recognize amortization expense over the next five fiscal years as follows (in thousan

2010
2011
2012
2013
2014

In accordance with SFAS 142, we evaluate the remaining useful life of these intangible assets on an annual basi
review for recoverability when events or changes in circumstances indicate the carrying values may not be reco
accordance with guidance that has been codified under ASC Topic 360, *Property, Plant and Equipment*.

17. INCOME TAXES

Income tax expense is based on pretax financial accounting income. Deferred income taxes are recognized for t
differences between the recorded amounts of assets and liabilities for financial reporting purposes and such amo
income tax purposes. The income tax provision (benefit) for the fiscal years ended 2009, 2008 and 2007, consis
following (in thousands):

	Fiscal Year Ended		
	November 1, 2009	**November 2, 2008**	
Current:			
Federal	**$ (28,706)**	$ 44,330	
State	**(1,366)**	6,903	
Total current	**(30,072)**	51,233	
Deferred:			
Federal	**(21,368)**	179	
State	**(3,084)**	87	
Total deferred	**(24,452)**	266	
Total provision (benefit)	**$ (54,524)**	$ 51,499	

The reconciliation of income tax computed at the United States federal statutory tax rate to the effective income
follows:

	Fiscal Year Ended		
	November 1, 2009	**November 2, 2008**	

Statutory federal income tax rate	**35.0%**	35.0%
State income taxes	**3.3%**	3.5%
Non-deductible goodwill impairment	**(27.0)%**	
Canadian valuation allowance	**(0.1)%**	1.3%
Non-deductible interest expense	**(0.2)%**	1.2%
Production activities deduction		(2.0)%
Premium on Convertible Notes exchange offer	**(4.1)%**	
Other	**(0.1)%**	0.5%
Effective tax rate	**6.8%**	39.5%

93

Table of Contents

The decrease in our effective tax rate for the fiscal year ended November 1, 2009 as compared to the prior year p
primarily due to the following:

The $611.4 million goodwill impairment charges discussed in Note 16 Goodwill and Other Intangible

The $84.5 million premium paid on the exchange offer to retire our Convertible Notes which is not dedu

Deferred income taxes reflect the net impact of temporary differences between the amounts of assets and liabilit
recognized for financial reporting purposes and such amounts recognized for income tax purposes. The tax effec
temporary differences for fiscal 2009 and 2008 are as follows (in thousands):

	As of November 1, 2009	N
Deferred tax assets:		
Inventory obsolescence	**$ 1,008**	$
Bad debt reserve	**2,137**	
Accrued and deferred compensation	**11,545**	
Accrued insurance reserves	**1,878**	
Deferred revenue	**6,266**	
Interest rate swap	**847**	
Net operating loss carryover	**6,469**	
Depreciation and amortization	**454**	
Deferred financing costs	**2,390**	
Other reserves	**725**	
Total deferred tax assets	**33,719**	
Less valuation allowance	**(5,018)**	
Net deferred tax assets	**28,701**	
Deferred tax liabilities:		
Depreciation and amortization	**(25,163)**	
Pension	**(2,566)**	
Other	**(776)**	
Total deferred tax liabilities	**(28,505)**	
Net deferred tax asset (liability)	**$ 196**	$

There were no amounts of accrued income taxes payable included in other accrued expenses at November 1, 200
accrued expenses include accrued income taxes payable of $4.9 million at November 2, 2008.

We carry out our business operations through legal entities in the U.S., Canada and Mexico. These operations re
file corporate income tax returns that are subject to U.S., state and foreign tax laws. We are subject to income ta
these multiple jurisdictions.

Table of Contents

The entire U.S. federal net operating loss will be fully utilized through carryback against taxable income generat
2008 and 2007. Our foreign operations have a net operating loss carryforward of approximately $15.6 million th
expire in fiscal 2025 if unused. The utilization of these losses is uncertain and we currently have a full valuation
against the deferred tax asset related to this loss carryforward. Of the $5.0 million valuation allowance, $3.3 mil
recorded as part of the purchase accounting related to the acquisition of RCC. The following table represents the
of the valuation allowance on deferred taxes activity for the fiscal years ended November 1, 2009, November 2,
October 28, 2007 (in thousands):

	November 1, 2009		November 2, 2008	
Beginning balance	**$**	**4,972**	$	4,603
Additions		**46**		369
Ending balance	**$**	**5,018**	$	4,972

ASC 740-10

Prior to fiscal 2008, in evaluating the exposures connected with the various tax filing positions, the company est
accrual when, despite management s belief that the company s tax return positions are supportable, manageme
certain positions may be successfully challenged and a loss was probable. When facts and circumstances change
accruals were adjusted.

We adopted guidance that has been codified under ASC Topic 740-10, *Income Taxes - Overall* (ASC 740-10
2007. The cumulative effect of adopting ASC 740-10 was recorded as of October 29, 2007 as a decrease to retai
of $0.4 million. The total amount of unrecognized tax benefit at November 1, 2009 was $0.7 million, of which $
would impact the Company s effective tax rate if recognized. The total amount of unrecognized tax benefits at
2008 was $1.3 million, of which $0.9 million would impact the Company s effective tax rate if recognized. We
anticipate any material change in the total amount of unrecognized tax benefits to occur within the next twelve m

The following table summarizes the activity related to the Company s unrecognized tax benefits during fiscal 2
(in thousands):

	November 1, 2009		N
Unrecognized tax benefits at beginning of year	**$**	**1,321**	**$**
Additions for tax positions related to prior years		**239**	
Reductions due to lapse of applicable statute of limitations		**(875)**	
Unrecognized tax benefits at end of year	**$**	**685**	**$**

We recognize interest and penalties related to uncertain tax positions in income tax expense. To the extent accru
and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of

income tax provision in the period that such determination is made. We did not have a material amount of accru
and penalties related to uncertain tax positions as of November 1, 2009.

We file income tax returns in the U.S. federal jurisdiction and multiple state and foreign jurisdictions. Our tax y
closed with the IRS through the year ended October 30, 2005 as the statute of limitations related to these tax yea
In addition, open tax years related to state and foreign jurisdictions remain subject to examination but are not co
material.

95

Table of Contents

18. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated other comprehensive (loss) income consists of the following (in thousands):

	November 1, 2009	N
Foreign exchange translation adjustments	$ 391	$
Defined benefit pension plan	(9,250)	
Unrealized losses on interest rate swap		
Accumulated other comprehensive (loss) income	$ (8,859)	$

19. OPERATING LEASE COMMITMENTS

We have operating lease commitments expiring at various dates, principally for real estate, office space, office e transportation equipment. Certain of these operating leases have purchase options that entitle us to purchase the equipment at fair value at the end of the lease. In addition, many of our leases contain renewal options at rates si current arrangements. As of November 1, 2009, future minimum rental payments related to noncancellable oper are as follows (in thousands):

2010	$ 7
2011	4
2012	2
2013	
2014	
Thereafter	1

Rental expense incurred from operating leases, including leases with terms of less than one year, for fiscal 2009, 2007 was $11.9 million, $12.4 million and $12.2 million, respectively.

20. STOCK REPURCHASE PROGRAM

Our board of directors has authorized a stock repurchase program. Subject to applicable federal securities law, s occur at times and in amounts that we deem appropriate. Shares repurchased are used primarily for later re-issua connection with our equity incentive and 401(k) profit sharing plans. Although we did not repurchase any shares common stock during fiscal 2009 and 2008, we did withhold shares of restricted stock to satisfy tax withholding arising in connection with the vesting of awards of restricted stock, which are included in treasury stock purchas Consolidated Statements of Stockholders Equity. At November 1, 2009, there were 0.6 million shares remainin for repurchase under the program. While there is no time limit on the duration of the program, our Amended Cre Agreement and ABL Facility apply certain limitations on our repurchase of shares of our common stock. During we retired all treasury shares outstanding.

Changes in treasury common stock, at cost, were as follows (in thousands):

	Number of Shares
Balance, October 28, 2007	2,590
Purchases	80
Balance, November 2, 2008	2,670
Purchases	177
Retirements	(2,847)
Balance, November 1, 2009	

Table of Contents

21. SHARE-BASED COMPENSATION

Our 2003 Long-Term Stock Incentive Plan (the Incentive Plan) is an equity-based compensation plan that all
variety of types of awards, including stock options, restricted stock, restricted stock units, stock appreciation rig
performance share awards, phantom stock awards and cash awards. In fiscal 2009, our stockholders approved th
and restatement of the Incentive Plan to increase the number of common stock reserved for issuance under the p
approximately 1.1 million shares of common stock and provide for the extension of the effective date of the Inc
10 years after its approval. As amended, the aggregate number of shares of common stock that may be issued un
may not exceed 3.66 million.

In fiscal 2005, our stockholders approved the amendment and restatement of the Incentive Plan, which, among o
increased the number of shares of common stock reserved for issuance under the plan by approximately 1.1 mill
common stock and allowed us to grant performance awards, including performance-based cash awards, under th
general rule, awards terminate on the earlier of (i) 10 years from the date of grant, (ii) 30 days after termination
employment or service for a reason other than death, disability or retirement, (iii) one year after death or (iv) one
incentive stock options or five years for other awards after disability or retirement. Awards are non-transferable
disposition on death or to certain family members, trusts and other family entities as the Compensation Committ
Board of Directors (the Committee) may approve. Awards may be paid in cash, shares of our common stock
combination, in lump sum or installments and currently or by deferred payment, all as determined by the Comm
November 1, 2009 and for all periods presented, our share-based awards under these plans have consisted of res
grants and stock option grants, neither of which can be settled through cash payments. Both our stock options an
stock awards contain only service condition requirements and typically vest over four years, although from time
certain individuals have received special one-time restricted stock awards that vest at retirement, upon a change
and on termination without cause or for good reason, as defined by the agreements governing such awards. A to
approximately 567,000 and 495,000 shares were available at November 1, 2009 and November 2, 2008, respecti
the Incentive Plan for the further grants of awards.

Since December 2006, the Committee s policy has been to provide for grants of restricted stock once per year,
the awards based on a dollar amount set by the Committee. For executive officers and designated members of se
management, a portion of the award may be fixed and a portion may be subject to adjustment, up or down, depe
average rate of growth in NCI s earnings per share over the three fiscal years ended prior to the award date. The
shares awarded on the grant date equals the dollar value specified by the Committee (after adjustment with rega
variable portion) divided by the closing price of the stock on the grant date, or if the grant date is not a trading d
trading day prior to the grant date. The restricted stock vests ratably over four years. All restricted stock awards
recipients, including executive officers, are subject to a cap in value set by the Committee.

Our option awards and restricted stock awards are typically subject to graded vesting over a service period, whic
four years. We recognize compensation cost for these awards on a straight-line basis over the requisite service p
entire award. In addition, certain of our awards provide for accelerated vesting upon qualified retirement, after a
control or upon termination without cause or for good reason. We recognize compensation cost for such awards
period from grant date to the date the employee first becomes eligible for retirement. On October 20, 2009, we c
financial restructuring that resulted in a change of control of the Company. With the exception of certain executi
who received 2004 Long-Term Restricted Stock Awards that vest in full only on retirement, the vesting of all un
restricted stock and stock options within our stock incentive plans accelerated upon the change of control. As a r
recorded $9.1 million in share-based compensation expense upon the accelerated vesting of our stock incentive p
December 2008, the Committee determined to change its policy to provide for semi-annual grants of restricted s
December and June of each year.

The fair value of each option award is estimated as of the date of grant using a Black-Scholes-Merton option pri
Expected volatility is based on historical volatility of our stock over a preceding period

commensurate with the expected term of the option. The risk-free rate for the expected term of the option is base
U.S. Treasury yield curve in effect at the time of grant. Expected dividend yield was not considered in the option
formula since we historically have not paid dividends and have no current plans to do so in the future. There wer
granted during the fiscal years ended November 1, 2009, November 2, 2008 and October 28, 2007. We have esti
forfeiture rate of 10% for our non-officers and 0% to 10% for our officers in our calculation of share-based com
expense for the fiscal years ended November 1, 2009, November 2, 2008 and October 28, 2007. These estimates
historical forfeiture behavior exhibited by our employees.

The following is a summary of stock option transactions during fiscal 2009, 2008 and 2007 (in thousands, excep
average exercise prices, weighted average remaining life):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance October 29, 2006	901	$ 27.43	
Granted			
Cancelled	(3)	(35.75)	
Exercised	(153)	(25.59)	
Balance October 28, 2007	745	$ 27.78	
Granted			
Cancelled	(18)	(31.21)	
Exercised	(34)	(19.86)	
Balance November 2, 2008	693	$ 28.09	
Granted			
Cancelled	(41)	(27.78)	
Exercised	(1)	(15.15)	
Balance November 1, 2009	**651**	**$ 28.13**	4.2 years
Exercisable at November 1, 2009	**651**	**$ 28.13**	4.2 years

The total intrinsic value of options exercised during fiscal 2009 was insignificant and during fiscal 2008 and 200
$0.4 million and $3.9 million, respectively. Options exercisable at fiscal years ended 2009, 2008 and 2007 were
0.6 million and 0.6 million, respectively. The weighted average exercise prices for options exercisable at fiscal y
2009, 2008 and 2007 were $28.13, $27.22 and $25.71, respectively. The following summarizes additional inform
concerning outstanding options at November 1, 2009:

	Options Outstanding and Exercisable		
Range of Exercise Prices	Number of Options	Weighted Average Remaining Life	Weighted A Exercise

$	15.13	19.38	130,824	2.4 years	$
	20.64	30.18	232,863	4.2 years	
	31.00	38.01	245,490	4.8 years	
	44.00	60.64	42,093	6.1 years	
			651,270	4.2 years	$

98

Table of Contents

Restricted stock transactions during fiscal 2009, 2008 and 2007 were as follows (in thousands, except weighted prices):

	Number of Shares	Weight Gra
Balance October 29, 2006	436,272	$
Granted	151,456	
Distributed	(67,482)	
Forfeited	(5,346)	
Balance October 28, 2007	514,900	$
Granted	251,295	
Distributed	(273,685)	
Forfeited	(10,791)	
Balance November 2, 2008	481,719	$
Granted	708,789	
Distributed	(136,018)	
Forfeited	(33,659)	
Balance November 1, 2009	**1,020,831**	**$**

The total recurring pre-tax share-based compensation cost that has been recognized in results of operations was $9.5 million and $8.6 million for the fiscal years ended November 1, 2009, November 2, 2008 and October 28, respectively. Of these amounts, $4.3 million, $8.5 million and $7.8 million were included in selling, general and administrative expense for the fiscal years ended November 1, 2009, November 2, 2008 and October 28, 2007, with the remaining costs in each period in cost of goods sold. On October 20, 2009, upon the change of control, $9.1 million of accelerated unamortized compensation expense which was included in the change of control cha Consolidated Statement of Operations. As of November 1, 2009, we do not have any amounts capitalized for sh compensation cost in inventory or similar assets. The total income tax benefit recognized in results of operations share-based compensation arrangements was $5.3 million, $3.6 million and $3.3 million for the fiscal years end November 1, 2009, November 2, 2008 and October 28, 2007, respectively. As a result of the change of control, compensation cost related to share-based compensation arrangements have been recognized as of November 1,

Cash received from option exercises was insignificant during fiscal 2009 and was $0.7 million and $3.9 million 2008 and 2007, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled and $1.5 million for fiscal 2008 and 2007, respectively.

Table of Contents

22. EARNINGS PER SHARE

Basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted average num
common shares outstanding. Diluted earnings (loss) per common share considers the effect of common stock eq
The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings (los
as follows (in thousands, except per share data):

		Fiscal Year Ended	
	November 1, 2009	November 2, 2008	
Numerator for Basic and Diluted Earnings (Loss) Per Share			
Net income (loss) applicable to common shares	**$ (758,677)**	$ 78,881	
Denominator for Diluted Earnings (Loss) Per Share			
Weighted average shares outstanding for basic earnings (loss) per share	**22,013**	19,332	
Common stock equivalents:			
Employee stock options		104	
Unvested restricted stock awards		50	
Convertible Notes(1)			
Adjusted weighted average shares and assumed conversions for diluted earnings (loss) per share	**22,013**	19,486	
Earnings (loss) per share			
Basic	**$ (34.06)**	$ 4.08	
Diluted	**$ (34.06)**	$ 4.05	

(1) The indenture under which the Convertible Notes were issued contains a net share settlement provision
guidance that has been codified under ASC Topic 260-10, *Earnings Per Share Overall*, whereby convers
for a combination of cash and shares, and shares are only issued to the extent the conversion value exceeds
amount. The incremental shares that we would have been required to issue had the Convertible Notes been
the average trading price during the period have been included in the diluted earnings per share calculation
average stock trading price had exceeded the $40.14 conversion threshold. However, during fiscal 2009, th
Notes could only be converted by the holders if our stock price traded above the initial conversion price of
Convertible Notes (see Note 10) for at least 20 trading days in each of the 30 consecutive trading day perio
preceding calendar quarter or upon other specified events. At November 1, 2009, the Convertible Notes we
convertible.

The weighted average number of common shares outstanding increased by 2.5 million due to the completion of
Offer in October 2009. In connection with the exchange offer, we issued 70.2 million common shares. In additio
Exchange Offer, our 2009 refinancing transaction included the issuance of $250 million shares of Convertible P
which required the use of the two-class method in determining diluted earnings per share, but did not increase
average number of common shares outstanding. The Convertible Preferred Stock will be convertible into 196.1

common shares and will only be included in the weighted average common shares outstanding under the if-con
which is required when it results in a lower earnings per share than determined under the two-class method.

Dividends on the Convertible Preferred Stock are payable, on a cumulative daily basis, as, if and when declared
of directors, at a rate per annum of 12% of the liquidation preference of $1,000 per Preferred Share, subject to ce
adjustments, if paid in-kind or at a rate per annum of 8% of the liquidation preference of $1,000 per Preferred Sh
cash. We have the right to choose whether dividends are

paid in cash or in-kind, subject to the conditions of the Amended Credit Agreement and ABL Facility including contractually limited in our ability to pay cash dividends until the first quarter of fiscal 2011 under the Amended Agreement and until October 20, 2010 under the ABL Facility, except for certain specified purposes.

For the fiscal year ended November 1, 2009, all options and unvested restricted shares were anti-dilutive and, th included in the diluted loss per share calculation. The number of weighted average options that were not include diluted earnings per share calculation because the effect would have been anti-dilutive was approximately 309,0 2,500 shares for the fiscal years ended November 2, 2008 and October 28, 2007, respectively. The anti-dilutive average unvested restricted shares that were not included in the diluted earnings per share calculation was appro 142,000 shares for the fiscal year ended November 2, 2008. For the fiscal year ended October 28, 2007, there we anti-dilutive weighted average unvested restricted shares excluded from the diluted earnings per share calculatio

23. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan We have a 401(k) profit sharing plan (the Savings Plan) that covers all eligible Savings Plan requires us to match employee contributions up to 6% of a participant s salary. On February 27, 2 Savings Plan was amended effective January 1, 2009 to make the matching contributions fully discretionary and contributions were temporarily suspended. Additional amounts may be contributed depending upon our annual r assets. Contributions expense for the fiscal years ended 2009, 2008 and 2007 was $0.8 million, $8.6 million and respectively, for contributions to the Savings Plan. In fiscal 2008 and 2007, Company matching contributions w cash. Our match ranges from 67% to 100% of the participant s contribution, depending on the return on adjuste assets. Our match was 83.3% in fiscal years 2008 and 2007.

As a result of the economic downturn and restructuring, we have determined our Savings Plan has experienced a termination which is defined by the IRS as 20% or more of the participating employees being involuntarily term result, the affected employee participants of the Savings Plan become fully vested upon termination. As of Nove 2009, the impact of this partial plan termination was immaterial, excluding the impact of the employer contribut

Deferred Compensation Plan On October 23, 2006, the board of directors approved an Amended and Restated Compensation Plan for NCI (as amended and restated, the Deferred Compensation Plan) effective for compen beginning in calendar 2007. The Deferred Compensation Plan allows our officers and key employees to defer up their annual salary and up to 90% of their bonus until a specified date in the future, including at or after retireme Additionally, the Deferred Compensation Plan allows our directors to defer up to 100% of their annual fees and attendance fees until a specified date in the future, including at or after retirement. The Deferred Compensation permits us to make contributions on behalf of our key employees who are impacted by the federal tax compensa under the NCI 401(k) plan, and to receive a restoration matching amount which, under the current NCI 401(k) te at 4% and up to 6% of compensation in excess of those limits, based on our Company s performance. On Febru restoration matching contributions were indefinitely suspended, effective January 1, 2009. In addition, the Defer Compensation Plan provides for us to make discretionary contributions to employees who have elected to defer under the plan. Deferred Compensation Plan participants will vest in our discretionary contributions ratably over from the date of each of our discretionary contributions. Any unvested matching contributions in a participant s Compensation Plan account became vested upon consummation of the Equity Investment on October 20, 2009. the Deferred Compensation Plan also permitted participants to have their account balances paid out upon a chan which reduced the rabbi trust assets and corresponding liability by $2.6 million. As of November 1, 2009 and N 2008, the liability balance of the Deferred Compensation Plan is $3.5 million and $2.6 million, respectively, and in accrued compensation and benefits in the Consolidated Balance Sheet. We have accrued restoration matching in the amount of $0.3 million for 2008. We have not made any discretionary contributions to the Deferred Comp Plan.

Table of Contents

With the Deferred Compensation Plan, the Board also approved the establishment of a rabbi trust to fund the De
Compensation Plan and the formation of an administrative committee to manage the Deferred Compensation Pla
assets. The investments in the rabbi trust are $3.4 million and $2.6 million at November 1, 2009 and November
respectively. The rabbi trust investments include debt and equity securities, along with cash equivalents and are
as trading securities.

Defined Benefit Plan As a result of the closing of the RCC acquisition on April 7, 2006, we assumed a defined
(the RCC Benefit Plan). Benefits under the RCC Benefit Plan are primarily based on years of service and the
compensation. The RCC Benefit Plan is frozen and, therefore, employees do not accrue additional service benef
assets of the RCC Benefit Plan are invested in broadly diversified portfolios of government obligations, hedge fu
funds, stocks, bonds and fixed income securities. In accordance with guidance that has been codified under ASC
quantified the projected benefit obligation and fair value of the plan assets of the RCC Benefit Plan and recorded
difference between these two amounts as an assumed liability.

As a result of the economic downturn and restructuring, we have determined our RCC Benefit Plan has experien
plan termination which is defined by the IRS as 20% or more of the participating employees being involuntarily
As a result, the affected employee participants become fully vested upon termination. However, the RCC Benefi
frozen, therefore, accrued benefits are already fully vested. As of November 1, 2009, the impact of this partial pl
termination was immaterial.

Adoption of ASC 715-20. On October 28, 2007, we adopted the recognition and disclosure provisions of guidan
been codified under ASC 715-20. This Statement requires us to recognize the funded status of the RCC Benefit
statement of financial position and recognize the changes in the RCC Benefit Plan s funded status in comprehen
the year in which the changes occur. The effects of the adoption of the recognition and disclosure provisions of
on our Consolidated Balance Sheet as of October 28, 2007 are presented in the following table. The adoption of
had no effect on our Consolidated Statements of Operations for the fiscal year ended October 28, 2007, or for an
period presented, and it will not affect our Consolidated Statements of Operations in future periods.

The impact of adopting ASC 715-20 on our Consolidated Balance Sheet at October 28, 2007 is as follows (in th

	As of October 28, 20	
	Effect of Adopting ASC 715-20	**As R Octob**
Non-current pension asset	**$ 2,292**	**$**
Non-current accrued pension liability	**1,016**	
Long-term deferred tax liability	**(1,289)**	
Accumulated other comprehensive income, net of tax	**(2,019)**	

The following table reconciles the change in the benefit obligation for the RCC Benefit Plan from the beginning
year to the end of the fiscal year (in thousands):

	November 1, 2009	**N**
Accumulated benefit obligation	**$ 46,091**	$

Projected benefit obligation beginning of fiscal year	**$**	**38,127**	$
Interest cost		**3,077**	
Benefit payments		**(4,253)**	
Actuarial losses (gains)		**9,236**	
Plan amendments		**(96)**	
Projected benefit obligation end of fiscal year	**$**	**46,091**	$

Table of Contents

Actuarial assumptions used to determine benefit obligations were as follows:

	November 1, 2009
Assumed discount rate	5.75%

The following table reconciles the change in plan assets of the RCC Benefit Plan from the beginning of the fisca end of the fiscal year (in thousands):

	November 1, 2009	N
Fair value of assets beginning of fiscal year	$ 38,859	$
Actual return on plan assets	4,868	
Benefit payments	(4,253)	
Fair value of assets end of fiscal year	$ 39,474	$

The following table sets forth the funded status of the RCC Benefit Plan and the amounts recognized in the Con Balance Sheet (in thousands):

	November 1, 2009	N
Fair value of assets	$ 39,474	$
Benefit obligation	46,091	
Funded status	$ (6,617)	$
Unrecognized actuarial loss (gain)	6,428	
Unrecognized prior service cost	(95)	
Prepaid benefit cost (benefit)	$ (284)	$

The amounts in accumulated other comprehensive income that have not yet been recognized as components of n benefit income (in thousands):

	November 1, 2009	N
Unrecognized actuarial loss (gain)	6,428	
Unrecognized prior service cost	(95)	

Total	**$**	**6,333**	$

The following table sets forth the components of the net periodic benefit income (in thousands):

		November 1, 2009	**N**
Interest cost	**$**	**3,076**	$
Expected return on assets		**(2,694)**	
Net periodic benefit cost (income)	**$**	**382**	$

At November 1, 2009, there are no amounts included in accumulated other comprehensive income that are expe
recognized during the next fiscal year.

Actuarial assumptions used to determine net periodic benefit income were as follows:

	Fiscal 2009
Assumed discount rate	**5.75%**
Expected rate of return on plan assets	**7.1%**

The basis used to determine the overall expected long-term asset return assumption was a ten year forecast of ex
based on the target asset allocation for the plan. The expected return for this portfolio over the forecast period is
investment related expenses.

Table of Contents

The weighted-average asset allocations by asset category are as follows:

Investment Type	November 1, 2009
Equity securities	**27%**
Debt securities	**38**
Hedge funds	**13**
Cash and cash equivalents	**9**
Real estate	**4**
Other	**9**
Total	**100%**

The investment policy is to maximize the expected return for an acceptable level of risk. Our expected long-tern
return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest ra
while maintaining risk at acceptable levels. The RCC Benefit Plan strives to have assets sufficiently diversified s
adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire po
regularly review our actual asset allocation and the RCC Benefit Plan s investments are periodically rebalanced
allocation when considered appropriate. We have set the target asset allocation for the plan as follows: 2% cash,
bonds, 13% alpha strategies (hedge funds), 16% large cap US equities, 5% small cap US equities, 4% real estate
trusts, 7% foreign equity, 4% emerging markets and 6% commodity futures.

We do not expect to contribute any amount to the RCC Benefit Plan in fiscal 2010.

We expect the following benefit payments to be made (in thousands):

Fiscal Years Ended
2010
2011
2012
2013
2014
2015-2019

24. CONTINGENCIES

From time to time, we are involved in various legal proceedings and contingencies, including environmental ma
considered to be in the ordinary course of business. While we are not able to predict whether we will incur any l
excess of insurance coverages or to accurately estimate the damages, or the range of damages, if any, we might i
connection with these legal proceedings, we believe these legal proceedings and claims will not have a material
on our business, consolidated financial position or results of operations.

25. BUSINESS SEGMENTS

We have aggregated our operations into three reportable segments based upon similarities in product lines, manu
processes, marketing and management of our businesses: metal coil coating; metal components; and engineered
systems. All business segments operate primarily in the non-residential construction market. Sales and earnings
influenced by general economic conditions, the level of non-residential construction activity, metal roof repair a
demand and the availability and terms of financing available for construction. Products of our business segments
basic raw materials. The metal coil coating segment consists of cleaning, treating, painting and slitting continuou
before the steel is fabricated for use by construction and industrial users. The metal components segment produc
metal roof and wall panels, doors, metal partitions, metal trim and other related accessories. The engineered buil
segment includes the manufacturing of main frames, Long Bay® Systems and value-added engineering and draft
are typically not part of metal components or metal coil coating products or services. The reporting segments fol
accounting policies used for our Consolidated Financial Statements.

104

Table of Contents

We evaluate a segment s performance based primarily upon operating income before corporate expenses. Inters
are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of
(i) hot-rolled, light gauge painted and slit material and other services provided by the metal coil coating segment
metal components and engineered building systems segments; (ii) building components provided by the metal co
segment to the engineered building systems segment; and (iii) structural framing provided by the engineered bui
segment to the metal components segment.

Corporate assets consist primarily of cash but also include deferred financing costs, deferred taxes and property,
equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related to
are not allocated to the business segments.

Summary financial data by segment is as follows (in thousands):

	2009	2008
Total sales:		
Metal coil coating	**$ 169,897**	$ 305,657
Metal components	**458,734**	715,255
Engineered building systems	**541,609**	1,110,534
Intersegment sales	**(202,317)**	(367,287)
Total net sales	**$ 967,923**	$ 1,764,159
External sales:		
Metal coil coating	**$ 53,189**	$ 96,957
Metal components	**389,132**	600,010
Engineered building systems	**525,602**	1,067,192
Total net sales	**$ 967,923**	$ 1,764,159
Operating income (loss):		
Metal coil coating	**$ (99,631)**	$ 29,381
Metal components	**(129,975)**	82,094
Engineered building systems	**(389,309)**	107,851
Corporate	**(64,583)**	(64,616)
Total operating income (loss)	**$ (683,498)**	$ 154,710
Unallocated other expense	**(117,990)**	(24,330)
Income (loss) before income taxes	**$ (801,488)**	$ 130,380

Table of Contents

	2009	2008
Depreciation and amortization:		
Metal coil coating	**$ 5,456**	$ 6,574
Metal components	**9,282**	9,384
Engineered building systems	**14,823**	15,940
Corporate	**3,215**	3,690
Total depreciation and amortization expense	**$ 32,776**	$ 35,588
Capital expenditures:		
Metal coil coating	**$ 1,865**	$ 3,073
Metal components	**14,726**	9,109
Engineered building systems	**1,347**	10,912
Corporate	**3,719**	1,709
Total capital expenditures	**$ 21,657**	$ 24,803
Property, plant and equipment, net:		
Metal coil coating	**$ 36,116**	$ 39,738
Metal components	**89,256**	84,026
Engineered building systems	**77,551**	108,876
Corporate	**28,917**	18,523
Total property, plant and equipment, net	**$ 231,840**	$ 251,163
Total assets as of fiscal year end 2009 and 2008:		
Metal coil coating	**$ 57,208**	$ 196,615
Metal components	**159,690**	371,464
Engineered building systems	**241,260**	716,671
Corporate	**155,690**	95,951
	$ 613,848	$ 1,380,701

Table of Contents

26. QUARTERLY RESULTS (Unaudited)

Shown below are selected unaudited quarterly data (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	
FISCAL YEAR 2009				
Sales	**$ 260,364**	**$ 224,719**	**$ 238,439**	**$**
Gross profit	**$ 16,527**	**$ 31,212**	**$ 61,080**	**$**
Net income (loss)	**$ (528,610)**	**$ (120,207)**	**$ 3,971**	**$**
Net income (loss) applicable to common shares	**$ (528,610)**	**$ (120,207)**	**$ 3,971**	**$**
Earnings (loss) per share:(1)				
Basic	**$ (27.20)**	**$ (6.17)**	**$ 0.20**	**$**
Diluted	**$ (27.20)**	**$ (6.17)**	**$ 0.20**	**$**
FISCAL YEAR 2008				
Sales	$ 361,489	$ 416,143	$ 477,596	$
Gross profit	$ 82,431	$ 103,440	$ 128,525	$
Net income	$ 7,510	$ 14,866	$ 31,891	$
Earnings per share:(1)				
Basic	$ 0.39	$ 0.77	$ 1.65	$
Diluted	$ 0.39	$ 0.76	$ 1.63	$

(1) The sum of the quarterly income per share amounts may not equal the annual amount reported, as per share computed independently for each quarter and for the full year based on the respective weighted average co outstanding.

(2) Included in net income (loss) is pre-tax debt extinguishment and refinancing costs of $99.2 million incurre the completion of the Recapitalization Plan.

The quarterly income (loss) amounts were impacted by the following special income (expense) items:

	First Quarter	Second Quarter	Third Quarter
FISCAL YEAR 2009			
Goodwill and other intangible asset impairment	**$ (517,628)**	**$ (104,936)**	$
Lower of cost or market charge	**(29,378)**	**(10,608)**	
Restructuring charges	**(2,479)**	**(3,796)**	**(1,213)**
Change in control charges			
Asset impairment	**(623)**	**(5,295)**	**(26)**
Pre-acquisition contingency adjustments			
Total special charges in operating income (loss)	**$ (550,108)**	**$ (124,635)**	**$ (1,239)**

FISCAL YEAR 2008						
Lower of cost or market charge	$		$		$	
Executive retirement costs		(663)		(2,189)		
Restructuring charges		(226)		(640)		(43)
Asset impairment						
Total special charges in operating income	$	(889)	$	(2,829)	$	(43)

107

Table of Contents

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

Not applicable.

Item 9A. ***Controls and Procedures.***

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the e of our disclosure controls and procedures as of November 1, 2009. The term disclosure controls and procedure Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that to ensure that information required to be disclosed by a company in the reports that it files or submits under the is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and form controls and procedures include, without limitation, controls and procedures designed to ensure that information be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and com the company s management, including its principal executive and principal financial officers, as appropriate to decisions regarding the required disclosure. Management recognizes that any controls and procedures, no matter designed and operated, can provide only reasonable assurance of achieving their objectives and management ne applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the of our disclosure controls and procedures as of November 1, 2009, our chief executive officer and chief financia concluded that, as of such date, our disclosure controls and procedures were effective.

Management s report on internal control over financial reporting is included in the financial statement pages at

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Act) occurred during the fiscal quarter ended November 1, 2009 that has materially affected, or is reasonably lik materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

We have adopted a Code of Business Conduct and Ethics, a copy of which is available on our website at *www.n* under the heading Corporate Governance NCI Guidelines. Any amendments to, or waivers from the Code Conduct and Ethics that apply to our executive officers and directors will be posted on the Corporate Governa Guidelines section of our Internet web site located at *www.ncilp.com*. However, the information on our websit incorporated by reference into this Form 10-K.

The information under the captions Election of Directors, Management, Section 16(a) Beneficial Owner Compliance, Board of Directors and Corporate Governance in our definitive proxy statement for our ann shareholders to be held on February 19, 2010 is incorporated by reference herein.

Item 11. ***Executive Compensation.***

The information under the captions Compensation Discussion and Analysis, Report of the Compensation C Executive Compensation in our definitive proxy statement for our annual meeting of shareholders to be held 2010 is incorporated by reference herein.

Table of Contents

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Mat***

The information under the captions Outstanding Capital Stock and Securities Reserved for Issuance Under I Compensation Plans in our definitive proxy statement for our annual meeting of shareholders to be held on Feb is incorporated by reference herein.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

The information under the captions Board of Directors and Transactions with Directors, Officers and Affilia definitive proxy statement for our annual meeting of shareholders to be held on February 19, 2010 is incorporate reference herein.

Item 14. ***Principal Accounting Fees and Services.***

The information under the caption Audit Committee and Auditors Our Independent Registered Public Accou Audit Fees in our definitive proxy statement for our annual meeting of shareholders to be held on February 19, incorporated by reference herein.

Item 15. ***Exhibits, Financial Statement Schedules.***

(a) The following documents are filed as a part of this report:

1. Consolidated Financial Statements (see Item 8).

2. Consolidated Financial Statement Schedules.

All schedules have been omitted because they are inapplicable, not required, or the information is included elsev consolidated financial statements or notes thereto.

3. Exhibits

Those exhibits required to be filed by Item 601 of Regulation S-K are listed in the Index to Exhibits immediatel the exhibits filed herewith and such listing is incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has du
this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 22nd day of Decembe

NCI BUILDING SYSTEMS, INC.

By: /s/ Norman C. Chambers
Norman C. Chambers, President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and ap
Norman C. Chambers, Mark E. Johnson and Todd R. Moore, and each of them severally, his or her true and law
or attorneys-in-fact and agents, with full power to act with or without the others and with full power of substituti
resubstitution, to execute in his name, place and stead, in any and all capacities, this Annual Report on Form 10-
all amendments (including pre-effective and post-effective amendments) to this Annual Report and to file the sa
exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, g
said attorneys-in-fact and agents and each of them full power and authority, to do and perform in the name and o
the undersigned, in any and all capacities, each and every act and thing necessary or desirable to be done in and
premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying, approvin
confirming all that said attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done by v

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the fo
persons on behalf of the registrant and in the capacities indicated as of the 22nd day of December, 2009.

Name	Title
/s/ Norman C. Chambers **Norman C. Chambers**	Chairman of the Board, President and Chief Executive O (Principal Executive Officer)
/s/ Mark E. Johnson **Mark E. Johnson**	Executive Vice President, Chief Financial Officer and Tr (Principal Financial and Accounting Officer)
* **Kathleen J. Affeldt**	Director
* **James G. Berges**	Director
*	Director

Gary L. Forbes*	
*	Director
John J. Holland	

110

Table of Contents

Name	Title
*	Director
Lawrence J. Kremer	
*	Director
George Martinez	
*	Director
Nathan K. Sleeper	
*	Director
Jonathan L. Zrebiec	

*By: /s/ Norman C. Chambers
Norman C. Chambers, Attorney-in-Fact

111

Table of Contents

Index to Exhibits

2.1	Stockholders Agreement, dated as of October 20, 2009, by and between the Company, Clayton, Dub Fund VIII, L.P. and CD&R Friends & Family Fund VIII, L.P. (filed as Exhibit 2.1 to NCI s Curren Form 8-K dated October 26, 2009 and incorporated by reference herein)
2.2	Registration Rights Agreement, dated as of October 20, 2009, by and between the Company, Clayto Rice Fund VIII, L.P. and CD&R Friends & Family Fund VIII, L.P. (filed as Exhibit 2.2 to NCI s C on Form 8-K dated October 26, 2009 and incorporated by reference herein)
2.3	Indemnification Agreement, dated as of October 20, 2009, by and between the Company, NCI Grou Robertson-Ceco II Corporation, Clayton, Dubilier & Rice Fund VIII, L.P., CD&R Friends & Family L.P. and Clayton, Dubilier & Rice, Inc. (filed as Exhibit 2.3 to NCI s Current Report on Form 8-K 26, 2009 and incorporated by reference herein)
2.5	Investment Agreement, dated as of August 14, 2009, by and between NCI Building Systems, Inc. ar Dubilier & Rice Fund VIII, L.P. (filed as Exhibit 2.1 to NCI s Current Report on Form 8-K dated A 2009 and incorporated by reference herein)
2.6	Amendment, dated as of August 28, 2009, to the Investment Agreement, dated as of August 14, 200 between NCI Building Systems, Inc. and Clayton, Dubilier & Rice Fund VIII, L.P. (filed as Exhibit Current Report on Form 8-K dated August 28, 2009 and incorporated by reference herein)
2.7	Amendment No. 2, dated as of August 31, 2009, to the Investment Agreement (as amended), dated a 14, 2009, by and between NCI Building Systems, Inc. and Clayton, Dubilier & Rice, Fund VIII, L.P exhibits thereto (filed as Exhibit 2.1 to NCI s Current Report on Form 8-K filed September 1, 2009 incorporated by reference herein)
2.8	Amendment No. 3, dated as of October 8, 2009, to the Investment Agreement (as amended), dated a 14, 2009, by and between NCI Building Systems, Inc. and Clayton, Dubilier & Rice, Fund VIII, L.P exhibits thereto (filed as Exhibit 2.1 to NCI s Current Report on Form 8-K filed October 8, 2009 an by reference herein)
2.9	Amendment No. 4, dated as of October 16, 2009, to the Investment Agreement (as amended), dated 14, 2009, by and between NCI Building Systems, Inc. and Clayton, Dubilier & Rice, Fund VIII, L.P exhibits thereto (filed as Exhibit 2.1 to NCI s Current Report on Form 8-K filed October 19, 2009 a incorporated by reference herein)
3.1	Restated Certificate of Incorporation, as amended through September 30, 1998 (filed as Exhibit 3.1 Annual Report on Form 10-K for the fiscal year ended November 2, 2002 and incorporated by refere
3.2	Certificate of Amendment to Restated Certificate of Incorporation, effective as of March 12, 2007 (f Exhibit 3.2 to NCI s Quarter Report on Form 10-Q for the quarter ended April 29, 2007 and incorpo reference herein)
3.3	Second Amended and Restated By-Laws, effective as of October 20, 2009 (filed as Exhibit 3.4 to N Report on Form 8-K dated October 26, 2009 and incorporated by reference herein)
3.4	Certificate of Designations, preferences, limitations and relative rights of Series B Cumulative Conv Participating Preferred Stock of the Company (filed as Exhibit 3.1 to NCI s Current Report on Forr October 26, 2009 and incorporated by reference herein)
3.5	Certificate of Elimination of the Series A Junior Participating Preferred Stock of the Company (filed 3.2 to NCI s Current Report on Form 8-K dated October 26, 2009 and incorporated by reference he
3.6	Certificate of Increase of Number of Shares of Series B Cumulative Convertible Participating Prefer the Company (filed as Exhibit 3.3 to NCI s Current Report on Form 8-K dated October 26, 2009 an by reference herein)
4.1	Form of certificate representing shares of NCI s common stock (filed as Exhibit 1 to NCI s registra on Form 8-A filed with the SEC on July 20, 1998 and incorporated by reference herein)
4.2	

Credit Agreement, dated June 18, 2004, by and among NCI, certain of its subsidiaries, as guarantors
Bank, National Association, as administrative agent, Bank of America, N.A., as syndication agent, a
several lenders named therein (filed as Exhibit 4.1 to NCI s Form 10-Q/A, filed with the SEC on Se
2004, amending its quarterly report on Form 10-Q for the quarter ended July 31, 2004 and incorpora
reference herein)

4.3 First Amendment to Credit Agreement, dated as of November 9, 2004, between NCI Building Sy
borrower, certain of its subsidiaries, as guarantors, Wachovia National Bank, National Associatio
administrative agent and lender, and the several lenders named therein (filed as Exhibit 10.1 to N
Report on Form 8-K dated November 16, 2004 and incorporated by reference herein)

4.4 Second Amendment to Credit Agreement, dated as of October 14, 2005, between NCI Building S
as borrower, certain of its subsidiaries, as guarantors, Wachovia National Bank, National Associa
administrative agent and lender, and the several lenders named therein (filed as Exhibit 10.1 to N
Report on Form 8-K dated October 14, 2005 and incorporated by reference herein)

4.5 Third Amendment, dated April 7, 2006, to Credit Agreement, dated June 18, 2004, by and among
Building Systems, Inc. as borrower, certain of its subsidiaries, as guarantors, Wachovia Bank, Na
Association, as administrative agent and lender, and the several lenders parties thereto (filed as E
NCI s Current Report on Form 8-K dated April 7, 2006 and incorporated by reference herein)

4.6 Indenture, dated November 16, 2004, by and among NCI, and The Bank of New York (filed as E
NCI s Current Report on Form 8-K dated November 16, 2004 and incorporated by reference her

4.7 Amended Credit Agreement, dated as of October 20, 2009, among the Company, as borrower, W
Bank, National Association, as administrative agent and collateral agent and the several lenders p
(filed as Exhibit 10.1 to NCI s Current Report on Form 8-K dated October 26, 2009 and incorpo
reference herein)

4.8 Loan and Security Agreement, dated as of October 20, 2009, by and among NCI Group, Inc. and
Robertson-Ceco II Corporation, as borrowers, the Company and Steelbuilding.Com, Inc., as guar
Fargo Foothill, LLC, as administrative and co-collateral agent, Bank of America, N.A. and Gener
Capital Corporation, as co-collateral agents and the lenders and issuing bank party thereto (filed a
10.2 to NCI s Current Report on Form 8-K dated October 26, 2009 and incorporated by referenc

4.9 Intercreditor Agreement, dated as of October 20, 2009, by and among the Company, as borrower
certain domestic subsidiaries of the Company, as borrowers or guarantors, Wachovia Bank, Natio
Association, as term loan agent and term loan administrative agent, Wells Fargo Foothill, LLC, a
capital agent and working capital administrative agent and Wells Fargo Bank, National Associati
agent (filed as Exhibit 10.3 to NCI s Current Report on Form 8-K dated October 26, 2009 and in
reference herein)

4.10 Guarantee and Collateral Agreement, dated as of October 20, 2009 by the Company and certain o
subsidiaries in favor of Wachovia Bank, National Association as administrative agent and collate
(filed as Exhibit 10.4 to NCI s Current Report on Form 8-K dated October 26, 2009 and incorpo
reference herein)

4.11 Guaranty Agreement, dated as of October 20, 2009 by NCI Group, Inc., Robertson-Ceco II Corp
Company and Steelbuilding.com, Inc., in favor of Wells Fargo Foothill, LLC as administrative ag
collateral agent (filed as Exhibit 10.5 to NCI s Current Report on Form 8-K dated October 26, 2
incorporated by reference herein)

4.12 Pledge and Security Agreement, dated as of October 20, 2009, by and among the Company, NCI
and Robertson-Ceco II Corporation, to and in favor of Wells Fargo Foothill, LLC in its capacity a
administrative agent and collateral agent (filed as Exhibit 10.6 to NCI s Current Report on Form
October 26, 2009 and incorporated by reference herein)

10.1 Employment Agreement, dated April 12, 2004, among the Company, NCI Group, L.P. and Norm
Chambers (filed as Exhibit 10.1 to NCI s Quarterly Report on Form 10-Q for the quarter ended M
and incorporated by reference herein)

* 10.2 Amendment Agreement, dated August 14, 2009, among the Company, NCI Group, L.P. and Nor
Chambers.

10.3 Amended and Restated Bonus Program, as amended and restated as of September 4, 2008 (filed a
10.2 to NCI s Annual Report on Form 10-K for the fiscal year ended November 2, 2008 and inc

reference herein)

10.4	Stock Option Plan, as amended and restated on December 14, 2000 (filed as Exhibit 10.4 to NCI Report on Form 10-K for the fiscal year ended October 31, 2000 and incorporated by reference h
10.5	Form of Nonqualified Stock Option Agreement (filed as Exhibit 10.5 to NCI s Annual Report o for the fiscal year ended October 31, 2000 and incorporated by reference herein)
10.6	2003 Long-Term Stock Incentive Plan, as amended and restated March 12, 2009 (filed as Annex Proxy Statement for the Annual Meeting held March 12, 2009 and incorporated by reference her
10.7	Form of Nonqualified Stock Option Agreement (filed as Exhibit 4.2 to NCI s registration statem 333-111139 and incorporated by reference herein)
10.8	Form of Incentive Stock Option Agreement (filed as Exhibit 4.3 to NCI s registration statement and incorporated by reference herein)
10.9	Form of Restricted Stock Award Agreement for Senior Executive Officers (Electronic) (filed as to NCI s Current Report on Form 8-K dated December 7, 2006 and incorporated by reference he
10.10	Form of Restricted Stock Award Agreement for Key Employees (filed as Exhibit 10.3 to NCI s on Form 8-K dated December 7, 2006 and incorporated by reference herein)
10.11	Form of Restricted Stock Unit Agreement (filed as Exhibit 10.1 to NCI s Current Report on For December 7, 2006 and incorporated by reference herein)
10.12	Form of Restricted Stock Award Agreement for Non-Employee Directors (filed as Exhibit 10.4 t Current Report on Form 8-K dated October 23, 2006 and incorporated by reference herein)
10.13	Restricted Stock Agreement, dated April 26, 2004, between NCI and Norman C. Chambers (filed 10.2 to NCI s Quarterly Report on Form 10-Q for the quarter ended May 1, 2004 and incorporat herein)
10.14	First Amendment, dated October 24, 2005, to Restricted Stock Agreement, dated April 26, 2004, and Norman C. Chambers (filed as Exhibit 10.21 to NCI s Annual Report on Form 10-K for the ended October 29, 2005 and incorporated by reference herein)
* 10.15	Restricted Stock Agreement, effective August 26, 2004, between NCI and Mark Dobbins
* 10.16	Restricted Stock Agreement, effective August 26, 2004 between NCI and Charles Dickinson
10.17	Amended and Restated NCI Building Systems, Inc. Deferred Compensation Plan (as amended an effective January 1, 2007) (filed as Exhibit 10.23 to NCI s Annual Report on Form 10-K for the ended October 29, 2006 and incorporated by reference herein)
* 10.18	First Amendment to the NCI Building Systems, Inc. Deferred Compensation Plan (as amended a effective October 20, 2009)
10.19	Form of Employment Agreement between NCI and executive officers (filed as Exhibit 10.25 to Report on Form 10-K for the fiscal year ended October 28, 2007 and incorporated by reference h
* 10.20	Form of Amendment Agreement, dated August 14, 2009, among the Company, NCI Group, L.P. officers
10.21	Form of Indemnification Agreement for Officers and Directors (filed as Exhibit 10.1 to NCI s C on Form 8-K dated October 22, 2008 and incorporated by reference herein)
10.22	Form of Director Indemnification Agreement (filed as Exhibit 10.7 to NCI s Current Report on October 26, 2009 and incorporated by reference herein)
*21.1	List of Subsidiaries
*23.1	Consent of Independent Registered Public Accounting Firm
*24.1	Powers of Attorney
*31.1	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*31.2	Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
*32.1	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Secti Sarbanes-Oxley Act of 2002)
*32.2	Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Secti Sarbanes-Oxley Act of 2002)

* Filed herewith

Management contracts or compensatory plans or arrangements