

Edgar Filing: GIBALTAR PACKAGING GROUP INC - Form 10-K

GIBALTAR PACKAGING GROUP INC
Form 10-K
September 25, 2002

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended June 29, 2002

OR

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

Commission file No. 00-19800

GIBALTAR PACKAGING GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State of incorporation)	47-0496290 (I.R.S. Employer Identification Number)
2000 SUMMIT AVENUE HASTINGS, NEBRASKA (Address of principal executive offices)	68901 (Zip Code)
(402) 463-1366 (Registrant's telephone number, including area code)	www.gibraltarpackaginggroup.com (Registrant's website)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, PAR VALUE \$0.01 PER SHARE
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

The aggregate market value of the voting and non-voting common equity stock held by nonaffiliates of the registrant on September 13, 2002 was \$4,509,874 (based upon the September 13, 2002 closing sale price of the common

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

stock as reported on the NASDAQ Over-The-Counter Bulletin Board).

The number of shares of common stock of the registrant outstanding as of September 13, 2002 was 5,041,544 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12 and 13 of Part III are incorporated by reference to the definitive proxy statement relating to the registrant's Annual Meeting of Stockholders for fiscal 2002, which definitive proxy statement will be filed within 120 days of the end of the registrant's fiscal year.

=====

TABLE OF CONTENTS

	Page

PART I	
Item 1. Business.....	1
Item 2. Properties.....	7
Item 3. Legal Proceedings.....	7
Item 4. Submission of Matters to a Vote of Security Holders.....	8
PART II	
Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.....	9
Item 6. Selected Financial Data.....	10
Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations.....	11
Item 7A. Quantitative and Qualitative Disclosure About Market Risk.....	17
Item 8. Financial Statements and Supplementary Data.....	18
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	18
PART III	
Item 10. Directors and Executive Officers of the Registrant.....	19
Item 11. Executive Compensation.....	19
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	19
Item 13. Certain Relationships and Related Transactions.....	19
PART IV	
Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....	20

PART I

ITEM 1. BUSINESS

GENERAL

Gibraltar Packaging Group, Inc. ("Gibraltar" or the "Company") designs, manufactures, and markets packaging products nationwide, for numerous industries. The Company produces four types of packaging products at three manufacturing facilities. These facilities are: Gibraltar Packaging Group, Inc. (dba "Great Plains Packaging", or "Great Plains") in Hastings, Nebraska; RidgePak Corporation (dba "Flashfold Carton") in Fort Wayne, Indiana; and Standard Packaging & Printing Corp. ("Standard Packaging") in Mount Gilead, North Carolina. Folding cartons is the primary product line for the Company; however, Standard Packaging also manufactures flexible packaging, and Great Plains Packaging also manufactures litho-laminated cartons and corrugated containers.

In August 1998, the Company announced its strategy to refocus on its core capabilities of folding cartons and to leverage the success of the Company's Great Plains division to improve the performance of the Company's other folding carton divisions. As a result, the Company initiated a plan to divest its facilities that manufactured non-folding carton related products. This included the sale of two of the Company's subsidiaries: Niemand Industries, Inc. ("Niemand") in Marion, Alabama; and GB Labels, Inc. ("GB Labels"), in Burlington, North Carolina. Niemand, a manufacturer of tubular paper packaging as well as contract packaging and filling, was sold in two stages. The sale of the operating assets of its container business was finalized in June 1999 and the remaining operating assets were sold in February 2000. The operating assets of GB Labels, a manufacturer of pressure-sensitive labels, were sold in August 1999.

Through the implementation of this strategy, the Company has improved operations and positioned itself for future growth. Over the past fiscal year the Company has continued to evaluate capacity levels at its three facilities and has implemented new technologies and equipment that will position the Company to increase its performance, productivity, and profitability. One such improvement is the installation of a narrow web flexographic printing press at the Hastings, Nebraska facility. In addition, the Company installed equipment and software at the Hastings facility that allows the Company to generate customers' film in-house; a process that was formerly outsourced to other companies. Gibraltar will continue to focus its efforts on its core business of folding cartons, as well as the supporting product lines of flexible, litho-laminated, and corrugated products. The Company intends to continue to expand these product lines by utilizing the maximum capacity at each facility, while continually identifying, researching, and when applicable, implementing new technologies and equipment.

The Company markets its products to customers located throughout the United States, with the majority of its sales located within the central, southern and eastern regions of the nation. The Company's sales are derived from a variety of industries including the following markets: food products, paper and allied products, pharmaceuticals and medical instruments, textiles, automotive, household, tobacco, and industrial products. The Company believes its three folding carton facilities are strategically located to enhance its competitive position by providing broad geographic coverage to serve larger, nationwide customers.

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Gibraltar's predecessor was incorporated under the name GPC Co. in Hastings, Nebraska in 1967, and subsequently changed its name to Great Plains Packaging Co. in 1986. In 1991 Great Plains Packaging Co. was reincorporated in Delaware, and its name was changed to Gibraltar Packaging Group, Inc.

- 1 -

The Company's principal executive offices are located at 2000 Summit Avenue, Hastings, Nebraska 68901, its phone number is 402-463-1366, and its website is www.gibraltarpackaginggroup.com.

Unless otherwise stated in this Annual Report, references to fiscal 2002, 2001, and 2000 relate to the fiscal years ended June 29, 2002, June 30, 2001, and July 1, 2000, respectively.

MANUFACTURING PRODUCTS AND PROCESSES

Gibraltar offers four types of packaging products, which are described in the following sections. The Company no longer offers the three product lines which were produced by GB Labels and Niemand due to the sale of these divisions, as mentioned above. Fluctuations in the percent of net sales for each product line can be attributed, in part, to the sale of these divisions.

FOLDING CARTONS

The Company designs, manufactures, and markets a variety of printed folding cartons, which are purchased by customers in a variety of consumer and industrial markets. The Company's customers use folding cartons for both product packaging and retail display of products. Sales of folding cartons represented approximately 78%, 79%, and 73% of the Company's net sales for fiscal 2002, 2001, and 2000, respectively.

The Company believes that recent trends in the folding carton market favor manufacturers that can produce creative graphics to enhance visual presentation, point-of-sale appeal, and product differentiation. Specialty packaging designed to address these needs often includes graphics with high-resolution print, multiple colors, and innovative structural designs. The Company's internal structural design teams have won numerous industry awards, due in part, to the Company's emphasis on product design. The Company believes that its design resources enhance its competitiveness in the folding carton market, and result in increased profitability. The Company's facilities also offer specialty features for its folding cartons including windowing, security label application, velcro application, and coupon application.

Folding cartons are produced at each of the Company's three production facilities utilizing offset printing presses. The Hastings, Nebraska facility also utilizes flexographic printing for the manufacture of folding cartons. For offset printing, once a customer's order is received, paperboard rolls are purchased from outside suppliers and converted into sheets with sheeting equipment, in sizes determined for each order. Customers supply graphic disks, artwork, or film to the Company, and then specialized printing plates are created to use in the printing of paperboard sheets on multicolor offset printing presses. The printed board is then cut, creased, embossed, folded, and glued into individual cartons per the carton specifications, and then packaged for shipment to customers. For the flexographic printing, the process differs slightly. Once a customer's order is received, paperboard rolls are purchased from outside suppliers. Folding cartons are then produced directly from the roll stock by printing and die cutting in line to output blanks for gluing or flat packing. This printing process utilizes UV inks and coatings, which is an

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

additional feature the Company can now offer to its customers.

- 2 -

In June 1996, the Company's Hastings, Nebraska facility became the sixth folding carton plant in the United States to achieve ISO 9001 certification, the rigorous international quality standard. This facility renewed their certification in June 1999, and in June 2002 achieved certification to the ISO 9001:2000 standard. In January 1998, the Company's Fort Wayne, Indiana facility also achieved ISO 9001 certification, and then renewed their certification in January 2001. The facility in Mount Gilead, North Carolina received ISO 9001 certification in June 2001 and achieved certification to the ISO 9001:2000 standard in December 2001. ISO (International Organization for Standardization) has steadily become a worldwide standard for quality management. The ISO standards require a company to codify its quality programs by defining and documenting its quality system.

The Company's Hastings, Nebraska facility also initiated and formalized programs for compliance with the American Institute of Baking's Standards for Packaging Facilities. This standard covers adequacy of the product safety program, pest control, operation methods, personnel practices, maintenance for product safety, and cleaning practices. In December 2001 the facility achieved an Excellent rating following its first American Institute of Baking audit.

FLEXIBLE POLY-FILM PACKAGING

Flexible packaging sales represented approximately 11% of the Company's net sales for fiscal years 2002, 2001, and 2000.

The flexible packaging industry has experienced significant historical growth due to advances in plastic technology and the popularity of convenient packaging. Flexible packaging offers light-weight, low-bulk, resource-conserving packaging that also protects perishable products, by creating a barrier against air and moisture. For consumer marketing purposes, flexible packaging combines high-quality, multicolor graphics, with a see-through feature that enables the consumer to see the product within the package, along with the package graphics. Although the Company sells most of its flexible packaging for use in the food, textile, and household products markets, flexible packaging is also used by many other industries.

Flexible packaging is produced at the Standard Packaging facility in Mount Gilead, North Carolina. The Company purchases its plastic films including polyethylene, polypropylene, and similar materials, from film manufacturers rather than producing its own plastic films. The film is printed at the Company's facilities using multicolor printing presses. The printed rolls are then slit into smaller rolls, or shipped in roll form, to customers who then convert it into its final package form (for example, bags, pouches or overwrap). The Company also converts the printed film rolls into bags or pouches, and then ships the final package forms to its customers. The Company has additional capabilities which can be incorporated into poly-film packaging, which include affixing pressure-sensitive labels, attaching hanging display hooks, grommets, zip-lock closures, and tape seals.

SPECIALTY LAMINATED CARTONS

At the Hastings, Nebraska facility, the Company manufactures specialty laminated cartons, which it markets to customers throughout the United States, primarily in the food, automotive, household, and industrial markets. Laminated cartons are used for the retail sale of products and offer customers a number of

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

visual marketing benefits. Specialty laminated carton sales represented approximately 6% of the Company's net sales for fiscal years 2002, 2001, and 2000.

- 3 -

During the manufacturing process, laminated sheets, which are composed of a printed paperboard sheet glued onto single face corrugate, are die cut, glued, and folded into cartons per the carton specifications. Laminated packaging offers a structurally stronger package suitable for packaging heavier contents, protecting products during shipping, or meeting other package performance needs, while at the same time providing high-resolution graphics. The Company believes that the resolution of the print and graphics enhances the product's appeal, and that the lamination provides increased product visibility without sacrificing the protection of the product.

CORRUGATED CONTAINERS

The Company's Hastings, Nebraska facility also designs and manufactures printed corrugated containers, which it markets to customers located in the mid-western United States. The primary markets for this product line are the automotive, industrial, and agricultural markets. Corrugated container sales represented approximately 5% of the Company's net sales for fiscal year 2002 and 4% for fiscal years 2001 and 2000.

The Company purchases corrugated sheets from outside suppliers, then prints, cuts, creases, folds, and glues the sheets into individual containers per the carton specifications. The Company also manufactures corrugated inserts, which require specialty die-cutting and gluing, and are used to provide additional strength and protection of packaged products. Corrugated containers offer a structurally strong package, suitable for protecting products during shipping, or meeting other packaging performance needs.

COMPETITION

The packaging markets in which the Company competes are highly fragmented and increasingly competitive. The Company competes with numerous small, non-integrated companies that produce one or more packaging products and, to a lesser extent, with divisions or subsidiaries of large integrated packaging producers, as well as in-house packaging operations. The vertically integrated paperboard, oil, and chemical companies that the Company competes with may have multiple lines of business and produce their own raw materials. In general, the integrated companies focus primarily on producing large quantities of basic, commodity packaging and often provide their products to large companies nationwide. The non-integrated manufacturers generally operate only one or two production facilities and emphasize higher-margin, value-added packaging, often with specialized or customized graphics. Unlike the integrated manufacturers, these manufacturers produce smaller orders of packaging with quick turnaround, and in many cases also work with the customer in designing the packaging.

Competition among the non-integrated packaging manufacturers, against which the Company primarily competes, is based on product quality, service, timeliness of delivery, manufacturing capabilities and, to a lesser extent than with commodity packaging, price. The Company believes that its expertise and reputation within the packaging industry for providing timely, personalized service and high-quality packaging enables it to compete effectively with other non-integrated packaging companies.

The Company has also been impacted by the increasing trends of

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

customers to improve their buying power through vendor consolidation. The Company has been successful in several of these initiatives, but cannot guarantee success in future vendor consolidation efforts.

Many of the Company's competitors have greater resources, financial and otherwise, than the Company. In addition, to the extent that packaging methods are developed and successfully marketed as alternatives to the Company's products, the Company may compete with producers of such alternative packaging methods.

- 4 -

RAW MATERIALS

Raw materials used in the Company's production process include paperboard, inks, flexible films, resin, and adhesives, all of which the Company purchases from more than one supplier. In fiscal 2002, prices remained relatively steady with increases experienced for some materials. The company expects increases in some materials for the first quarter of fiscal 2003 with the second quarter remaining stable. Although the Company has historically been able to pass material increases on to its customers, any future price increases could have an adverse impact on the Company's results of operations, if the Company is unable to continue to pass these increases on to its customers.

The supply of materials such as polyethylene, polypropylene, and other plastic films and resins used in the manufacture of flexible packaging, is subject to the disruptions generally associated with the petroleum and petroleum product markets. The supply of plastic materials depends upon factors beyond the control of the Company, including, directly or indirectly, changes in the economy, price levels and seasons, the level of domestic oil production, the availability of imports, and the actions of OPEC. In addition, if the supply of oil-based resins or plastic films should tighten in the future, vertically integrated producers may have an advantage over the Company, as such competitors could allocate scarce resin resources to their own flexible packaging units, or transfer them at advantageous prices to their own flexible packaging units.

Although the Company's supply of raw materials is presently sufficient, a prolonged shortage of raw materials, the resulting higher costs, or diminished availability of such materials could adversely affect its business.

PRODUCTION BACKLOG AND INVENTORY CONTROL

The majority of demand for the Company's products does not fluctuate significantly throughout the fiscal year. However, the Company occasionally experiences a slight increase in production backlog due to the seasonal business of some of its customers. Because the Company produces according to firm purchase orders, as do the majority of manufacturers within the industry, fluctuations in production, shipments, and inventory levels are not significant.

CUSTOMERS

The Company derives its sales from a diverse market base. In fiscal 2002, the Company sold its products throughout the United States to over 467 different customers for use in a variety of industries. The table below sets forth the Company's approximate percent of net sales by market for each of the years indicated. In fiscal 2001, the company reviewed its industry classifications to better represent the customer base it currently serves. These changes are reflected in each of the fiscal years listed below. Fluctuations in the percentage of net sales for certain industries can be attributed, in part,

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

to the sale of the GB Labels and Niemand Industries divisions.

- 5 -

	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Food products	23%	19%	17%
Paper and allied products	18%	18%	17%
Pharmaceutical and medical instruments	15%	15%	15%
Textiles	11%	14%	18%
Tobacco products	10%	8%	3%
Automotive products	9%	10%	11%
Household products	7%	9%	11%
Industrial products	2%	2%	2%
Other	5%	5%	6%
	----	----	----
Total net sales	100%	100%	100%
	====	====	====

Sales to the Company's top three customers accounted for approximately 39% of the Company's net sales for fiscal 2002. Sales to Smead Manufacturing represented approximately 17%, and sales to McCain Foods Limited represented approximately 13% of net sales in fiscal 2002.

The Company believes that developing long-term relationships with customers is critical to its success in the packaging industry. Customers generally purchase products and services under firm purchase orders rather than long-term contracts, although the Company does have several customers with contracts ranging from one to three years.

EMPLOYEES

As of June 29, 2002, the Company employed approximately 468 full-time employees - 94 salaried, and 374 hourly. The Company primarily markets its products and services through 14 employee sales representatives, as well as several commissioned brokers or agents.

The Graphics Communication Union, No. 19-M, represents approximately 86 hourly employees at the Fort Wayne, Indiana facility. The current three-year union contract remains in effect through November 7, 2002. Management for the Company and union representatives are currently in negotiations concerning the renewal of the union contract. The Company considers its relationship with its employees and the union to be generally satisfactory. Although there are no difficulties anticipated, the Company is unable to forecast the outcome of future negotiations between the Company and the Graphics Communication Union, or the potential impact any dispute could have on the Company's financial position or results of operations.

REGULATION

The Company's activities are subject to various environmental, health and worker safety laws. The Company has expended resources, both financial and managerial, to comply with applicable environmental, health and worker safety laws in its operations and at its facilities, and anticipates that it will

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

continue to do so in the future. Compliance with environmental laws has not generally had a material effect on the Company's capital expenditures, earnings or competitive position. However, as part of the environmental due diligence carried out in fiscal 1995 in connection with a proposed merger, the Company became aware of groundwater contamination at its GB Labels facility in Burlington, North Carolina.

- 6 -

Groundwater testing performed in 1995 revealed the presence of tetrachlorethelene ("PCE") and related compounds in the groundwater at the site, and in three of the neighboring properties' wells. The Company notified the North Carolina Division of Environmental Management and the County Health Department, provided bottled water to affected residents, and offered to connect, at its cost, any resident wishing to be connected to the municipal water supply.

In February 1997, the North Carolina Division of Water Quality ("DWQ") asked Gibraltar to conduct a follow-up assessment of the GB Labels facility. The Company arranged with its environmental consultants to install additional groundwater monitoring wells, conduct additional investigative work at the GB Labels site and prepare an updated report. The Comprehensive Assessment Report was filed with the DWQ in June 1998. To date, the DWQ has requested no further updates.

Following the August 1995 preliminary site assessment, the Company had its environmental consultants prepare an estimate of likely remediation costs based on all of the information known at that time. These estimated costs ranged from \$750,000 to \$1.1 million over a period of seven to ten years. Accordingly, the Company recorded a liability for such remediation costs of \$750,000 in fiscal year 1995. This estimate may be affected by new information learned, any modifications to any remediation plan that may be proposed by the DWQ and the actual costs incurred as part of evaluation and remediation. The reduction in the accrual for such remediation costs to \$430,000 from \$431,000 at June 29, 2002 and June 30, 2001, respectively, reflects legal and environmental consulting expenses incurred in fiscal 2002. Cumulative incurred expenses as of June 29, 2002 related to remediation totaled \$320,000. Management believes that the ultimate resolution of this and other environmental matters will not materially affect the financial position or results of future operations and cash flows of the Company.

ITEM 2. PROPERTIES -----

The Company owns offices and manufacturing facilities in Hastings, Nebraska; Fort Wayne, Indiana; and Mount Gilead, North Carolina. The Company's facilities consist of a total of more than 425,000 square feet. The Company also leases 71,000 square feet of office, production, and warehouse space in Hastings, Nebraska. Additional warehouse facilities are leased in Fort Wayne, Indiana, and Mebane, North Carolina.

The Niemand facility, which is owned by the Company and was previously used in a manufacturing capacity, is currently being leased to the company that acquired Niemand's operating assets.

The Company's facilities and equipment are generally in good operating condition, and are suitable for their respective uses and adequate for current needs.

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

The Company maintains business property and other insurance coverage for its facilities and operations, in amounts and for risks generally consistent with industry practice for companies of similar size.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is a party to certain lawsuits and administrative proceedings that arise in the conduct of its business. While the

- 7 -

outcome of these lawsuits and proceedings cannot be predicted with certainty, management believes that, if adversely determined, the lawsuits and proceedings, either singularly or in the aggregate, would not have a material adverse effect on the financial condition, results of operations or net cash flows of the Company.

On April 28, 1999, the Company filed a lawsuit captioned Gibraltar Packaging Group, Inc. v. Anthem Health Plans, d.b.a. Anthem Blue Cross and Blue Shield of Connecticut ("Anthem"), in the United States District Court for the District of Connecticut. The Company is seeking damages for Anthem's alleged breach of a contract for health insurance for employees of the Company. In October 2000, Anthem filed a counterclaim for unpaid premiums. The amount of the counterclaim is unknown. Discovery has revealed that a third party may be liable to indemnify the Company for all or part of the counterclaim, and the Company has brought a third party claim against this party in the litigation. There can be no assurances that the outcome of the litigation would not have an adverse impact on the Company. The parties participated in a settlement mediation in December 1999 and are gathering additional information through depositions. The Company is presently in settlement discussions with Anthem.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the stockholders of Gibraltar during the fourth quarter of Gibraltar's fiscal year ended June 29, 2002.

- 8 -

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

The Company's common stock is currently traded on the NASDAQ Over-The-Counter Bulletin Board. The trading symbol for the Company's common stock is "PACK." The following table sets forth, for the periods indicated, the high and low sale prices for the Company's common stock as reported by NASDAQ:

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

	HIGH	LOW
FISCAL 2002		
Fourth Quarter	\$ 1.55	\$ 1.15
Third Quarter	1.60	1.16
Second Quarter	1.30	1.16
First Quarter	1.32	1.20
FISCAL 2001		
Fourth Quarter	\$ 1.56	\$ 1.25
Third Quarter	1.75	1.25
Second Quarter	1.56	0.88
First Quarter	1.06	0.63

There were approximately 163 shareholders of record of the Company's common stock as of September 13, 2002. The Company believes that the number of beneficial owners of its common stock is approximately 650.

DIVIDEND POLICY

Historically, the Company has not paid cash dividends on its common stock. Any payment of cash dividends in the future will depend upon the terms of the Company's debt instruments, the financial condition, capital requirements and earnings of the Company, as well as other factors the Board of Directors may deem relevant. In addition, the Company's credit facility with LaSalle Business Credit, Inc. restricts the ability of the Company to pay dividends.

RECENT SALES OF UNREGISTERED SECURITIES

None.

- 9 -

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical financial information has been derived from the Company's audited consolidated financial statements. This information should be read in connection with the Company's Consolidated Financial Statements and the Notes thereto, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this Annual Report.

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES SELECTED CONSOLIDATED FINANCIAL DATA (IN THOUSANDS, EXCEPT PER SHARE DATA)

YEARS ENDED			
JUNE 29, 2002 (1)	JUNE 30, 2001 (2)	JULY 1, 2000 (3)	JULY 3, 1999 (4)
----	----	----	----

STATEMENT OF OPERATIONS DATA:

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Net Sales	\$ 63,803	\$ 64,084	\$ 67,543	\$ 76,514
Cost of Goods Sold	51,396	50,908	54,998	65,711
Gross Profit	12,407	13,176	12,545	10,803
Operating Expenses	7,864	7,961	7,862	21,802
Income (Loss) from Operations	4,543	5,215	4,683	(10,999)
Other Expense - Net	1,399	2,499	3,130	3,324
Provision (Benefit) for Income Taxes	1,235	(923)	483	(751)
Income (Loss) before Extraordinary Item	1,909	3,639	1,070	(13,572)
Net Income (Loss)	1,753	3,639	1,070	(13,572)

Basic and Diluted Per Common Share Amounts:

Income (Loss) before Extraordinary Item	0.38	0.72	0.21	(2.69)
Net Income (Loss)	0.35	0.72	0.21	(2.69)
Weighted Average Shares Outstanding	5,042	5,042	5,042	5,042

BALANCE SHEET DATA:

Working Capital	2,563	2,403	2,333	3,357
Total Assets	34,544	36,374	37,654	43,338
Long-Term Debt (net of current portion)	14,917	18,578	22,498	27,943
Stockholders' Equity	6,908	5,155	1,516	446

- (1) Includes an extraordinary after-tax loss of \$156 reflecting the write-off of unamortized finance costs related to the First Source financing.
- (2) Includes a \$2.0 million reduction to the tax provision. As a result of earnings improvements, the Company reduced its deferred income tax asset valuation allowance by \$2.0 million in fiscal 2001 to reflect a change in estimate related to the realizability of its deferred income tax assets.
- (3) Includes the effect of the sale of the operating assets of Niemand in June 1999 and February 2000 and the sale of the operating assets of GB Labels in August 1999.
- (4) Includes impairment write-downs of long-lived assets related to Flashfold Carton and GB Labels of \$11,861 and \$352, respectively, and restructuring charges of \$235 related to the relocation of the Company's corporate offices.
- (5) Includes a charge for severance and relocation costs of approximately \$500 and a restructuring charge of \$170 consisting of severance costs for divisional personnel. Results also include an impairment write-down of long-lived assets related to Niemand of approximately \$14,083 and a write-off of unamortized finance costs related to the Harris Bank refinancing of approximately \$854.

- 10 -

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

 RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

with Generally Accepted Accounting Principles ("GAAP") requires the Company to select and apply accounting policies that best provide the framework to report the Company's results of operations and financial position. The selection and application of those policies require management to make difficult subjective or complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. The judgments and uncertainties inherent in this process affect the application of those policies. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions. Management has identified the following accounting policies that it deems critical to the portrayal of the Company's financial condition and results of operations and that involve significant subjectivity. Management believes that its selection and application of these policies best represent the operating results and financial position of the Company. The following discussion provides information on the processes utilized by management in making judgments and assumptions as they apply to its critical accounting policies.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a significant customer's credit worthiness or actual defaults are higher than historical experience, estimates of the recoverability of amounts due the Company could be adversely affected.

INCOME TAXES

The Company records deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates changed, the Company would adjust the deferred tax assets and liabilities, through the provision for income taxes in the period of change, to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. The Company records a valuation allowance on deferred tax assets to reflect the expected future tax benefits to be realized. In determining the appropriate valuation allowance, the Company takes into account the level of expected future taxable income and available tax planning strategies. If future taxable income was lower than expected or if expected tax planning strategies were not available as anticipated, the Company may record additional valuation allowance through income tax expense in the period such determination was made.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company's long-lived assets consist primarily of property, plant and equipment, goodwill and intangible assets that were acquired in business acquisitions. Management believes the useful lives assigned to these assets, which range from 2 to 40 years, are reasonable. Management evaluates the long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. If management's assumptions about these assets change as a result of events or circumstances, and management believes the assets may have declined in value, then the Company may record impairment charges, resulting in lower profits.

- 11 -

CONTINGENT LIABILITIES

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

There are various claims and lawsuits pending against the Company. The Company has recorded a liability where the effect of litigation can be estimated and where an outcome is considered probable. Management's estimates are based on its knowledge of the relevant facts at the time of the issuance of the Company's Consolidated Financial Statements. Subsequent developments could materially alter management's assessment of a matter's probable outcome and the estimate of the Company's liability.

ENVIRONMENTAL ISSUES

The Company records its environmental liabilities when site assessments or remedial actions are probable and a range of reasonably likely cleanup costs can be estimated. The Company reviews its sites and assesses the liability quarterly, by assessing a range of reasonably likely costs for each identified site using currently available information, including existing technology, current laws and regulations and the probable level of involvement and financial condition of other potentially responsible parties. These estimates include costs for site investigations, remediation, operations and maintenance, monitoring and site closure.

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the percentage relationship that certain items in the Company's Consolidated Statement of Operations bear to net sales. This information should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report.

	YEARS ENDED		
	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Net Sales	100.0%	100.0%	100.0%
Cost of Goods Sold	80.6	79.4	81.4
Gross Profit	19.4	20.6	18.6
Operating Expenses	12.3	12.4	11.6
Income from Operations	7.1	8.1	6.9
Other Expense - Net	2.2	3.9	4.6
Provision (Benefit) for Income Taxes	1.9	(1.4)	0.7
Net Income	2.7%	5.7%	1.6%

FISCAL YEAR 2002 VS. 2001

In fiscal 2002, the Company had net sales of \$63.8 million compared with \$64.1 million in fiscal 2001, a decrease of \$0.3 million or 0.4%. Sales were negatively impacted by the overall slow-down in economic conditions.

Gross profit for fiscal 2002 decreased to 19.4% of net sales from 20.6% in fiscal 2001. This is attributable to higher material costs from changes in customer mix and pricing pressures, as well as higher repair and maintenance costs of \$0.2 million. However, these increases were partially offset by continued cost control efforts, such as a substantial reduction in labor cost of \$0.3 million. Cost of goods sold increased \$0.5 million, or 1.0%, to \$51.4 million in fiscal 2002 compared to \$50.9 million in fiscal 2001.

Income from operations for fiscal 2002 was \$4.5 million compared with \$5.2 million in fiscal 2001, a decrease of \$0.7 million or 12.9%. This decrease is primarily a result of lower sales, partially offset by a small reduction in

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

- 12 -

selling, general and administrative expenses. Selling, general and administrative expenses decreased \$0.1 million or 1.2% to \$7.7 million in fiscal 2002 from \$7.8 million in fiscal 2001. Expressed as a percentage of net sales, selling, general and administrative expenses decreased to 12.1% in fiscal 2002, compared with 12.2% in fiscal 2001. This is primarily the result of lower bad debt expense.

Total interest expense decreased \$1.2 million, or 46.5%, to \$1.3 million in fiscal 2002 from \$2.5 million in fiscal 2001. The decrease is primarily the result of \$3.8 million in lower average borrowings coupled with a decline in the lower average interest rate to 6.1% from 9.9%.

The income tax provision as a percentage of pre-tax income for fiscal 2002 was 39.3% compared with an income tax benefit of 34.0% for fiscal 2001. The effective tax rate typically differs from the statutory rate primarily as a result of non-deductible amortization of goodwill. However, as a result of earnings improvements, the Company reduced its deferred income tax asset valuation allowance by \$2.0 million in fiscal 2001 to reflect a change in estimate related to the realizability of its deferred income tax assets. See Note 5 of the Notes to Consolidated Financial Statements for a detailed description of the adjustment to the deferred income tax asset valuation.

In December 2001, the Company refinanced its credit facility with LaSalle. As part of this refinancing, the Company recorded an extraordinary loss of \$260,000 (\$156,000 after tax) or \$0.03 per share reflecting the write-off of unamortized finance costs relating to the previous existing credit facility.

Net income in fiscal 2002 was \$1.8 million, or \$0.35 per share, compared to \$3.6 million or \$0.72 per share in fiscal 2001. Net income in fiscal 2001 includes the effect of reducing the deferred income tax asset valuation allowance by \$2.0 million, as a result of earnings improvements. Excluding the impact of the change in the deferred income tax asset valuation allowance, net income would have been \$1.7 million (or \$0.33 per share). The following table illustrates the effect of the income tax asset valuation allowance (in thousands, except per share data):

	AS REPORTED	EXCLUDING IMPACT OF CHANGE IN TAX VALUATION ALLOWANCE
	-----	-----
Income Before Income Taxes	\$2,716	\$2,716
Provision (Benefit) for Income Taxes	(923)	1,046
	-----	-----
Net Income	\$3,639	\$1,670
	=====	=====
Net Income Per Share	\$0.72	\$0.33
	=====	=====

FISCAL YEAR 2001 VS. 2000

In fiscal 2001, the Company had net sales of \$64.1 million compared with \$67.5 million in fiscal 2000, a decrease of \$3.5 million or 5.1%. An increase in sales from retained operations of \$0.4 million was offset by a reduction in sales of \$3.9 million following the sale of the operating assets of GB Labels in August 1999 and Niemand in February 2000. See "Item 1.

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Business-General." Sales from retained operations were strong in the first half of the fiscal year, but were negatively impacted by the overall slow-down in economic conditions in the second half.

Gross profit for fiscal 2001 increased to 20.6% of net sales from 18.6% in fiscal 2000. This increase was due primarily to an influx of new business with higher margins, reduced payroll costs, and the divestiture of low margin business from the sale of the operating assets of Niemand and GB Labels.

- 13 -

Additionally, the Company continued to benefit from cost control efforts and productivity gains carried over from the previous year. Cost of goods sold decreased \$4.1 million, or 7.4%, to \$50.9 million in fiscal 2001 compared to \$55.0 million in fiscal 2000. The sale of the operating assets of GB Labels and Niemand accounted for \$3.9 million of the decrease.

Income from operations for fiscal 2001 was \$5.2 million compared with \$4.7 million in fiscal 2000, an increase of \$0.5 million or 11.4%. This increase was the result of the operating improvements from the retained operations and the sale of the operating assets of GB Labels and Niemand. Selling, general and administrative expenses increased \$0.1 million or 1.6% to \$7.8 million in fiscal 2001 from \$7.7 million in fiscal 2000. Expressed as a percentage of net sales, selling, general and administrative expenses increased to 12.2% in fiscal 2001, compared with 11.4% in fiscal 2000. This is the result of an increase in third party brokers commissions and bad debt expense, partially offset by decreases due to the sale of the operating assets of Niemand and GB Labels.

Total interest expense decreased \$0.5 million, or 17.9%, to \$2.5 million in fiscal 2001 from \$3.0 million in fiscal 2000. The decrease is primarily the result of \$5.8 million in lower average borrowings and lower average interest rates.

The income tax benefit as a percentage of pre-tax income for fiscal 2001 was 34.0% compared with an income tax provision of 31.1% for fiscal 2000. The effective tax rate typically differs from the statutory rate primarily as a result of non-deductible amortization of goodwill. However, as a result of earnings improvements, the Company reduced its deferred income tax asset valuation allowance by \$2.0 million in fiscal 2001 to reflect a change in estimate related to the realizability of its deferred income tax assets. See Note 5 of the Notes to Consolidated Financial Statements for a detailed description of the adjustment to the deferred income tax asset valuation.

Net income in fiscal 2001 was \$3.6 million, or \$0.72 per share, compared to \$1.1 million or \$0.21 per share in fiscal 2000. Net income in fiscal 2001 includes the effect of reducing the deferred income tax asset valuation allowance by \$2.0 million, as a result of earnings improvements. Excluding the impact of the change in the deferred income tax asset valuation allowance, net income would have been \$1.7 million (or \$0.33 per share). The following table illustrates the effect of the income tax asset valuation allowance (in thousands, except per share data):

	AS REPORTED	EXCLUDING IMPACT OF CHANGE IN TAX VALUATION ALLOWANCE
	-----	-----
Income Before Income Taxes	\$2,716	\$2,716

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Provision (Benefit) for Income Taxes	(923)	1,046
	-----	-----
Net Income	\$3,639	\$1,670
	=====	=====
Net Income Per Share	\$0.72	\$0.33
	=====	=====

FINANCIAL CONDITION

On December 20, 2001, the Company entered into a three-year renewable credit facility with LaSalle Business Credit, Inc. ("LaSalle"). This facility provides for an \$11.6 million Term Loan, a \$4.0 million Special Advance Loan, and a \$12.0 million working capital revolving line-of-credit ("Revolver"). The Term Loan and Special Advance Loan combined are to be repaid over seven years, but are callable after three years. The Special Advance Loan, which is to be

- 14 -

repaid first, requires monthly principal payments of \$185,155 plus interest. Additionally, the credit facility provides for an Excess Cash Flow Payment to be applied against the Special Advance Loan after each fiscal year-end until it is repaid. The Excess Cash Flow Payment for fiscal 2002 is approximately \$1.1 million and will be paid in October 2002. Until the Special Advance is repaid, monthly interest payments will be made on the Term Loan. Upon repayment of the Special Advance Loan, monthly principal payments based on the remaining amortization period plus interest will be applied against the Term Loan. The credit facility is secured by a first priority perfected security interest in and lien on all assets (real and personal, tangible and intangible) of the Company, excluding its Burlington, North Carolina property. The initial proceeds of the new facility were used to repay the outstanding indebtedness under the Company's previous credit facility with First Source Financial LLP. As part of the refinancing, the Company recorded an extraordinary loss of \$260,000 (\$156,000 after tax) or \$0.03 per share after tax reflecting the write-off of unamortized finance costs relating to the previous credit facility in fiscal 2002.

The Revolver provides for a revolving line of credit under a borrowing base commitment subject to certain loan availability requirements. Loan availability under the Revolver may not exceed the lesser of: (1) \$12.0 million; or (2) the sum of (a) 85% of the Company's eligible accounts receivable plus (b) a percentage of the Company's eligible inventory which ranges from 35% to 70%. At no time may the sum of aggregated loan advances outstanding under the Revolver plus the aggregate amount of extended letter of credit guarantees exceed loan availability. The Company had available to it unused borrowing capacity of \$4.9 million as of June 29, 2002.

The Revolver bears interest at LaSalle's prime rate plus 0.50% or the London Interbank Offered Rate ("LIBOR") plus 2.75%. The Term Loan bears interest at LaSalle's prime rate plus 0.75% or LIBOR plus 3.00%. The Special Advance Loan bears interest at LaSalle's prime rate plus 1.00% or LIBOR plus 3.25%. The Company also pays a commitment fee of 0.50% on the unused portion of the Revolver. The interest rates at June 29, 2002 were a combination of prime and LIBOR. LaSalle's prime and LIBOR rates for the Revolver and Special Advance Loan were 4.75% and 1.96%, respectively, at June 29, 2002. LaSalle's prime and LIBOR rates for the Term Loan were 4.75% and 2.20%, respectively, at June 29, 2002.

As of June 29, 2002, all outstanding letters of credit were guaranteed by LaSalle. The Company pays an annual letter of credit fee of 2.00% on the

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

outstanding balance to guarantee availability under the Revolver. Outstanding letters of credit at June 29, 2002 amounted to \$147,500 and related to workman's compensation insurance policies.

The LaSalle credit facility contains certain restrictive covenants including financial covenants related to net worth, debt service coverage, interest coverage and capital expenditures. As of June 29, 2002, the Company was in compliance with all financial covenants. In addition, the Company's credit facility restricts the ability of the Company to pay dividends.

At June 29, 2002, the Company had working capital of \$2.6 million, as compared to \$2.4 million at June 30, 2001. The current portion of the Company's long-term debt includes an Excess Cash Flow Payment which the Company will pay to LaSalle as a prepayment on the Special Advance Loan. Historically, the Company's liquidity requirements have been met by a combination of funds provided by operations and its revolving credit agreements. Funds provided by operations totaled \$4.4 million in fiscal 2002 and \$4.3 million in fiscal 2001. This increase is primarily attributable to higher profitability during fiscal 2002 when compared to fiscal 2001.

During fiscal 2002, capital expenditures totaled \$1.1 million compared with \$0.8 million in fiscal 2001, and consisted primarily of additions to machinery and equipment as well as improvements to existing facilities. The

- 15 -

Company makes capital improvements to increase efficiency and product quality, and periodically upgrades its equipment by purchasing or leasing new or previously used equipment.

The Company's current strategy is to continue to focus its efforts on its core business of folding cartons, as well as the supporting product lines of flexible, litho-laminated, and corrugated products. The Company intends to expand these product lines by utilizing the maximum capacity at each facility, while continually identifying, researching, and when applicable, implementing new technologies and equipment that will enable the Company to continue to improve performance, productivity, and profitability.

Under the current strategy, management believes that future funds generated by operations and borrowings available under its credit facility with LaSalle will be sufficient to meet working capital and capital expenditure requirements in the near term.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The Company has contractual obligations and commercial commitments that may affect its financial condition. Based on management's assessment of the underlying provisions and circumstances of the material contractual obligations and commercial commitments of the Company, including material off-balance sheet and structured finance arrangements, there is no known trend, demand, commitment, event or uncertainty that is reasonably likely to occur which would have a material effect on the Company's financial condition or results of operations. The following tables identify material obligations and commitments as of June 29, 2002:

PAYMENTS DUE BY PERIOD

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

CONTRACTUAL CASH OBLIGATIONS (THOUSANDS OF DOLLARS)	TOTAL	1 YEAR	2-3 YEARS	4-5 YEARS	A
Long-term debt	\$ 14,442	\$ 3,293	\$ 11,149	\$ --	\$
Revolving Line-of-Credit (a)	3,582	--	3,582	--	
Capital lease obligations	242	56	93	93	
Operating leases	3,608	1,288	1,793	384	
Total contractual cash obligations	\$ 21,874	\$ 4,637	\$ 16,617	\$ 477	\$

OTHER COMMERCIAL COMMITMENTS (THOUSANDS OF DOLLARS)	TOTAL AMOUNTS COMMITTED	AMOUNT OF COMMITMENT EXPIRATION PER PERIOD			A
		1 YEAR	2-3 YEARS	4-5 YEARS	
Revolving Line-of-Credit (b)	\$ 4,873	\$ --	\$ 4,873	\$ --	\$
Standby letters of credit	148	148	--	--	
Total commercial commitment	\$ 5,021	\$ 148	\$ 4,873	\$ --	\$

- (a) The revolving line-of-credit represents the actual outstanding balance, as of June 29, 2002.
- (b) The revolving line-of-credit represents the unused borrowing capacity available to the Company, as of June 29, 2002.

- 16 -

INFLATION

Inflation has not had a significant impact on the Company's cost structure.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, BUSINESS COMBINATIONS, and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. These standards establish accounting and reporting for business combinations, goodwill and other intangibles. SFAS No. 141 requires all business combinations entered into subsequent to June 30, 2001 to be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized, but will be tested for impairment on an annual basis. SFAS No. 142 is effective for the Company beginning July 1, 2002. The Company has not quantified the impact resulting from the adoption of these standards including the impact, if any, of completion of the annual impairment test. However, the historical impact of not amortizing goodwill would have been to increase net income for fiscal years 2002, 2001, and 2000 by \$135,000, \$135,000, and \$161,000, respectively.

In July 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

RETIREMENT OBLIGATIONS. This standard addresses financial accounting and reporting for obligations related to the retirement of tangible long-lived assets and the related asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

In August 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. The standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets and is effective for fiscal years beginning after December 15, 2001. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

In April 2002, the FASB issued SFAS No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. This standard concludes that debt extinguishments used as part of a company's risk management strategy should not be classified as an extraordinary item. SFAS No. 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. In fiscal 2002, the Company recorded an extraordinary loss of \$260,000 (\$156,000 after tax) reflecting the write-off of unamortized finance costs. For the purpose of comparability, the presentation of this amount will be changed to reflect the requirements of SFAS No. 145 in future filings.

In June 2002, the FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity is recognized at fair value when the liability is incurred and is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's primary market risk is fluctuation in interest rates. All of the Company's debt at June 29, 2002 is at variable interest rates. A hypothetical 10% change in interest rates would have had a \$0.1 million impact on interest expense for the fiscal year ended June 29, 2002.

- 17 -

FORWARD-LOOKING STATEMENTS

Statements that are not historical facts, including statements about our confidence in the Company's prospects and strategies and our expectations about the Company's sales expansion, are forward-looking statements that involve risks and uncertainties. These risks and uncertainties include, but are not limited to: (1) softened demand for the Company's products due to overall economic conditions; (2) the Company's ability to execute its business plan; (3) market acceptance risks, including whether or not the Company will be able to successfully gain market share against competitors, many of which have greater financial and other resources than the Company, and the continuing trend of customers to increase their buying power by consolidating the number of vendors they maintain; (4) manufacturing capacity constraints, including whether or not, as the Company increases its sales, it will be able to successfully integrate

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

its new customers into its existing manufacturing and distribution system; (5) the introduction of competing products by other firms; (6) pressure on pricing from competition or purchasers of the Company's products; (7) whether the Company will be able to pass on to its customers price increases for paper and paperboard products; (8) continued stability in other raw material prices, including oil-based resin and plastic film; (9) the impact of government regulation on the Company's manufacturing processes, including whether or not additional capital expenditures will be needed to comply with applicable environmental laws and regulations as the Company's production increases; and (10) the Company's ability to continue to comply with the restrictive covenants in its credit facility or to obtain waivers if it is not in compliance in the future. Investors and potential investors are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's analysis only as of the date of this report. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this report. These risks and others that are detailed in this Form 10-K and other documents that the Company files from time to time with the Securities and Exchange Commission, including quarterly reports on Form 10-Q and any current reports on Form 8-K, must be considered by any investor or potential investor in the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the financial statements, the report thereon, the notes thereto, and supplementary data commencing at page F-1 of this Annual Report on Form 10-K which financial statements, report, notes, and data are incorporated herein by reference.

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

- 18 -

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information relating to the identification, business experience and directorships of each director and nominee for director of Gibraltar and the information relating to the identification and business experience of Gibraltar's executive officers, required by Items 401 and 405 of Regulation S-K, will be presented in the sections entitled "Election of Directors - Nominees for Director" and "Executive Compensation and Other Information - Executive Officers" of Gibraltar's definitive proxy statement for the Annual Meeting of Stockholders for fiscal 2002, and is hereby incorporated by reference. If the definitive proxy statement for the 2002 annual meeting is not filed with the Securities and Exchange Commission within 120 days of the end of Gibraltar's 2002 fiscal year, Gibraltar will amend this Annual Report and include such information in the amendment.

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

ITEM 11. EXECUTIVE COMPENSATION

The information relating to the compensation of directors and officers required by Item 402 of Regulation S-K will be presented in the sections entitled "Election of Directors - Director Compensation" and "Executive Compensation and Other Information" of Gibraltar's definitive proxy statement for the Annual Meeting of Stockholders for fiscal 2002 and is hereby incorporated by reference. If the definitive proxy statement for the 2002 annual meeting is not filed with the Securities and Exchange Commission within 120 days of the end of Gibraltar's 2002 fiscal year, Gibraltar will amend this Annual Report and include such information in the amendment.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information relating to security ownership required by Item 403 of Regulation S-K will be presented in the section entitled "Voting Securities and Principal Stockholders" of Gibraltar's definitive proxy statement for the Annual Meeting of Stockholders for fiscal 2002 and is hereby incorporated by reference. If the definitive proxy statement for the 2002 annual meeting is not filed with the Securities and Exchange Commission within 120 days of the end of Gibraltar's 2002 fiscal year, Gibraltar will amend this Annual Report and include such information in the amendment.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information relating to certain relationships and transactions required by Item 404 of Regulation S-K will be presented in the section "Executive Compensation and Other Information - Certain Transactions" of Gibraltar's definitive proxy statement for the Annual Meeting of Stockholders for fiscal 2002 and is hereby incorporated by reference. If the definitive proxy statement for the 2002 annual meeting is not filed with the Securities and Exchange Commission within 120 days of the end of Gibraltar's 2002 fiscal year, Gibraltar will amend this Annual Report and include such information in the amendment.

- 19 -

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

	Page
Independent Auditors' Report	F-1
Consolidated Balance Sheets, June 29, 2002 and June 30, 2001	F-2
Consolidated Statements of Operations, Years Ended June 29, 2002, June 30, 2001, and July 1, 2000	F-3

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Consolidated Statements of Stockholders' Equity, Years Ended June 29, 2002, June 30, 2001, and July 1, 2000	F-4
Consolidated Statements of Cash Flows, Years Ended June 29, 2002, June 30, 2001, and July 1, 2000	F-5
Notes to Consolidated Financial Statements	F-6

(2) All schedules of the Registrant for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable, or have been disclosed in the Notes to Consolidated Financial Statements and, therefore, have been omitted.

(3) Exhibits

EXHIBITS

-
- 3.1 Certificate of Incorporation, as amended, of Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 3.1 to Gibraltar's Registration Statement on Form S-1 (File No. 33-44965), as amended, filed January 9, 1992).
 - 3.2 By-Laws of Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 3.2 to Gibraltar's Registration Statement on Form S-1 (File No. 33-44965), as amended, filed January 9, 1992).
 - 4.1 Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Gibraltar's Registration Statement on Form S-1 (File No. 33-44965), as amended, filed January 9, 1992).
 - 10.1 Agreement and Plan of Reorganization, dated as of January 7, 1992, among Gibraltar Packaging Group, Inc., RidgePak Acquisition Corporation, RidgePak Corporation, and the Shareholders of RidgePak Corporation (incorporated by reference to Exhibit 10.1 to Gibraltar's Registration Statement on Form S-1 (File No. 33-44965), as amended, filed January 9, 1992).
 - 10.2 Registration Rights Agreement, dated March 4, 1992, by and among Gibraltar Packaging Group, Inc. and certain stockholders of Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 4.2 to Gibraltar's Annual Report on Form 10-K for the year ended June 30, 1992 (File No. 00-19800)).

- 20 -

- **10.4 Gibraltar Packaging Group, Inc. 1992 Incentive Stock Option Plan, dated March 5, 1992 and amended as of April 28, 1994 (incorporated by reference to Exhibit 10.5 to Gibraltar's Annual Report on Form 10-K for the year ended July 2, 1994 (File No. 00-19800)).
- **10.5 Gibraltar Packaging Group, Inc. Director Stock Option Plan dated July 13, 1992 and amended as of April 28, 1994 (incorporated by reference to Exhibit 10.6 to Gibraltar's Annual Report on Form 10-K for the year ended July 2, 1994 (File No. 00-19800)).
- 10.7 Stock Purchase Agreement, dated January 28, 1993, by and among

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Gibraltar Packaging Group, Inc., Standard Packaging and Printing Corp. and each of the shareholders of Standard Packaging and Printing Corp. (incorporated by reference to Exhibit 2.1 to Gibraltar's Current Report on Form 8-K dated January 28, 1993 (File No. 00-19800)).

- 10.8 Registration Rights Agreement, dated as of January 28, 1993, between Gibraltar Packaging Group, Inc. and Brady W. Dickson and Joan H. Dickson (incorporated by reference to Exhibit 28.1 to Gibraltar's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1993 (File No. 00-19800)).
 - 10.9 Agreement and Plan of Reorganization, dated April 28, 1993, by and among Gibraltar Packaging Group, Inc., Niemand Acquisition Corporation, Niemand Holdings, Inc., Niemand Industries, Inc., and each of the stockholders of Niemand Holdings, Inc. (incorporated by reference to Exhibit 2.1 to Gibraltar's Current Report on Form 8-K dated April 28, 1993 (File No. 00-19800)).
 - 10.10 Registration Rights Agreement, dated April 28, 1993, by and among Gibraltar Packaging Group, Inc. and the former stockholders of Niemand Holdings, Inc. listed on Schedule I thereto (incorporated by reference to Exhibit 28.1 to Gibraltar's Current Report on Form 8-K dated April 28, 1993 (File No. 00-19800)).
 - 10.17 Secured Credit Agreement, dated July 31, 1998, among Gibraltar Packaging Group, Inc., various financial institutions and First Source Financial LLP, Individually and as Agent ("The Credit Agreement") (incorporated by reference to Exhibit 10.17 to Gibraltar's Annual Report on Form 10-K for the year ended June 27, 1998 (File No. 00-19800)).
 - **10.33 Gibraltar Packaging Group, Inc. 1998 Stock Appreciation Rights Plan, dated November 30, 1998 (incorporated by reference to Exhibit 10.33 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).
 - **10.34 Employment Agreement, dated January 15, 1999, between Gibraltar Packaging Group, Inc. and John W. Lloyd (incorporated by reference to Exhibit 10.34 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).
 - **10.35 Employment Agreement, dated January 15, 1999, between Gibraltar Packaging Group, Inc. and Richard D. Hinrichs (incorporated by reference to Exhibit 10.35 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).
- 21 -
- **10.36 Stock Appreciation Rights Agreement, dated January 15, 1999, between Gibraltar Packaging Group, Inc. and John W. Lloyd (incorporated by reference to Exhibit 10.36 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).
 - **10.37 Stock Appreciation Rights Agreement, dated January 15, 1999, between Gibraltar Packaging Group, Inc. and Richard D. Hinrichs (incorporated by reference to Exhibit 10.37 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1998 (File No. 00-19800)).

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

00-19800)).

- 10.42 Asset Purchase Agreement, dated February 25, 1999, between Robinson JDM Ltd. (Buyer) and Niemand Industries, Inc. (Seller) (incorporated by reference to Exhibit 10.42 to Gibraltar's Annual Report on Form 10-K for the year ended July 3, 1999 (File No. 00-19800)).
 - 10.43 Escrow Agreement, dated March 29, 1999, among Robinson JDM Ltd. (Buyer), Niemand Industries, Inc. (Seller) and Chicago Title Insurance Company (incorporated by reference to Exhibit 10.43 to Gibraltar's Annual Report on Form 10-K for the year ended July 3, 1999 (File No. 00-19800)).
 - 10.44 First Amendment to Asset Purchase Agreement, dated April 20, 1999, between Robinson JDM Ltd. (Buyer) and Niemand Industries, Inc. (Seller) (incorporated by reference to Exhibit 10.44 to Gibraltar's Annual Report on Form 10-K for the year ended July 3, 1999 (File No. 00-19800)).
 - 10.45 Non-Competition and Non-Solicitation Agreement, dated May 28, 1999, among Robinson JDM Ltd., Gibraltar Packaging Group, Inc. and Niemand Industries, Inc. (incorporated by reference to Exhibit 10.45 to Gibraltar's Annual Report on Form 10-K for the year ended July 3, 1999 (File No. 00-19800)).
 - 10.46 Asset Purchase Agreement, dated September 1, 1999, between JIT Manufacturing, Inc. (Buyer) and GB Labels, Inc. (Seller) (incorporated by reference to Exhibit 10.46 to Gibraltar's Annual Report on Form 10-K for the year ended July 3, 1999 (File No. 00-19800)).
 - 10.47 Non-Competition Agreement, dated September 1, 1999, between JIT Manufacturing, Inc. and Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 10.47 to Gibraltar's Annual Report on Form 10-K for the year ended July 3, 1999 (File No. 00-19800)).
 - 10.48 Guaranty Agreement, dated September 1, 1999, between JIT Manufacturing, Inc. and Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 10.48 to Gibraltar's Annual Report on Form 10-K for the year ended July 3, 1999 (File No. 00-19800)).
 - **10.52 Further Agreement Concerning Employment, dated January 23, 2000, between Gibraltar Packaging Group, Inc. and John W. Lloyd (incorporated by reference to Exhibit 10.52 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1999 (File No. 00-19800)).
 - 10.53 Asset Purchase Agreement, dated November 3, 1999, among TEKPAK, Inc., Niemand Industries, Inc. and Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 10.53 to Gibraltar's Quarterly Report on Form 10-Q for the period ended December 31, 1999 (File No. 00-19800)).
- 22 -
- **10.54 Memorandum of Understanding, dated July 3, 2000, between Gibraltar Packaging Group, Inc. and John W. Lloyd (incorporated by reference

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

to Exhibit 10.54 to Gibraltar's Annual Report on Form 10-K for the period ended July 1, 2000 (File No. 00-19800)).

- **10.55 Letter of Resignation, dated September 1, 2000, between Gibraltar Packaging Group, Inc. and John W. Lloyd (incorporated by reference to Exhibit 10.55 to Gibraltar's Annual Report on Form 10-K for the period ended July 1, 2000 (File No. 00-19800)).

- 10.57 Amendment to Asset Purchase Agreement, dated April 6, 2001, among TEKPAK, Inc., Niemand Industries, Inc. and Gibraltar Packaging Group, Inc (incorporated by reference to Exhibit 10.57 to Gibraltar's Annual Report on Form 10-K for the period ended June 30, 2001 (File No. 00-19800)).

- 10.58 Loan and Security Agreement, dated as of December 20, 2001, between LaSalle Business Credit, Inc. and Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc (incorporated by reference to Exhibit 10.58 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).

- 10.59 Supplement to Loan and Security Agreement, dated as of December 20, 2001, between LaSalle Business Credit, Inc. and Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc (incorporated by reference to Exhibit 10.59 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).

- 10.60 Revolving Note, dated as of December 20, 2001, in favor of LaSalle Business Credit, Inc., executed by Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc. in the principal amount of \$12,000,000(incorporated by reference to Exhibit 10.60 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).

- 10.61 Term Note, dated as of December 20, 2001, in favor of LaSalle Business Credit, Inc., executed by Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc. in the principal amount of \$11,553,000(incorporated by reference to Exhibit 10.61 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).

- 10.62 Special Advance Note, dated as of December 20, 2001, in favor of LaSalle Business Credit, Inc., executed by Gibraltar Packaging Group, Inc., RidgePak Corporation, Standard Packaging and Printing Corp. and Niemand Industries, Inc. in the principal amount of \$4,000,000(incorporated by reference to Exhibit 10.62 to Gibraltar's Quarterly Report on Form 10-Q for the period ended March 31, 2002 (File No. 00-19800)).

- * 21.1 Subsidiaries of Gibraltar Packaging Group, Inc. (incorporated by reference to Exhibit 21.1 to Gibraltar's Annual Report on Form 10-K for the year ended July 3, 1999 (File No. 00-19800)).

- * 23.1 Consent of Deloitte & Touche LLP.

*Filed herewith.

**Indicates management contract or compensatory plan.

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

(b) Reports on Form 8-K.

NONE

- 23 -

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GIBRALTAR PACKAGING GROUP, INC.

By: /s/ Brett E. Moller

Brett E. Moller
Vice President Finance
(Principal Financial and Accounting Officer)

Date: September 25, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Walter E. Rose

Walter E. Rose
Chief Executive Officer and
Chairman of the Board
(Principal Executive Officer)
September 25, 2002

/s/ Richard D. Hinrichs

Richard D. Hinrichs
Chief Operating Officer and Director
September 25, 2002

/s/ David G. Chandler

David G. Chandler
Director
September 25, 2002

/s/ Robert G. Shaw

Robert G. Shaw
Director
September 25, 2002

/s/ John D. Strautnieks

John D. Strautnieks
Director
September 25, 2002

/s/ John W. Lloyd

John W. Lloyd
Director
September 25, 2002

- 24 -

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

CERTIFICATIONS PURSUANT TO 17 CFR SECTION 240.13a-14

I, Walter E. Rose, Chairman of the Board and Chief Executive Officer of Gibraltar Packaging Group, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Gibraltar Packaging Group, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: September 25, 2002

/s/ Walter E. Rose

WALTER E. ROSE
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
(Principal Executive Officer)

I, Brett E. Moller, Vice President Finance of Gibraltar Packaging Group, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Gibraltar Packaging Group, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: September 25, 2002

/s/ Brett E. Moller

BRETT E. MOLLER
VICE PRESIDENT FINANCE
(Principal Financial Officer)

Simultaneously with the filing of this annual report on Form 10-K, the Company submitted to the Securities and Exchange Commission the certification of this report by its chief executive and chief financial officer required by 18 U.S.C. ss. 1350 as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002.

INDEPENDENT AUDITORS' REPORT

Board of Directors
 Gibraltar Packaging Group, Inc.
 Hastings, Nebraska

We have audited the accompanying consolidated balance sheets of Gibraltar Packaging Group, Inc. and its subsidiaries as of June 29, 2002 and June 30, 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 29, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Gibraltar Packaging Group, Inc. and subsidiaries at June 29, 2002 and June 30, 2001, and the results of their operations and their cash flows for each of the three years in the period ended June 29, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Omaha, Nebraska
 August 8, 2002

F-1

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS EXCEPT SHARE DATA)

	JUNE 29, 2002	JUNE 2001
ASSETS		
CURRENT ASSETS:		
Cash	\$ 45	\$

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Accounts receivable (NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$521 AND \$508, RESPECTIVELY)	5,432	6,
Inventories	7,317	6,
Deferred income taxes	703	
Prepaid and other current assets	423	
	-----	-----
Total current assets	13,920	14,
PROPERTY, PLANT AND EQUIPMENT - Net	15,687	16,
GOODWILL (NET OF ACCUMULATED AMORTIZATION OF \$2,225 AND \$2,090, RESPECTIVELY)	4,112	4,
DEFERRED INCOME TAXES	--	
OTHER ASSETS (NET OF ACCUMULATED AMORTIZATION OF \$83 AND \$487, RESPECTIVELY)	825	
	-----	-----
TOTAL	\$ 34,544	\$ 36,
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Checks not yet presented	\$ 718	\$ 1,
Current portion of long-term debt	3,349	2,
Accounts payable	4,036	4,
Accrued expenses	3,254	3,
	-----	-----
Total current liabilities	11,357	12,
LONG-TERM DEBT - Net of current portion	14,917	18,
DEFERRED INCOME TAXES	932	
OTHER LONG-TERM LIABILITIES	430	
	-----	-----
Total liabilities	27,636	31,
	-----	-----
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; none issued	--	
Common stock, \$.01 par value; 10,000,000 shares authorized; 5,041,544 issued and outstanding	50	
Additional paid-in capital	28,162	28,
Accumulated deficit	(21,304)	(23,
	-----	-----
Total stockholders' equity	6,908	5,
	-----	-----
TOTAL	\$ 34,544	\$ 36,
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-2

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 29, 2002, JUNE 30, 2001, AND JULY 1, 2000
(IN THOUSANDS EXCEPT SHARE DATA)

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

	2002	2001	2000
NET SALES	\$ 63,803	\$ 64,084	\$ 67,543
COST OF GOODS SOLD	51,396	50,908	54,998
	-----	-----	-----
GROSS PROFIT	12,407	13,176	12,545
	-----	-----	-----
OPERATING EXPENSES:			
Selling, general, and administrative	7,729	7,826	7,701
Amortization of goodwill	135	135	161
	-----	-----	-----
Total operating expenses	7,864	7,961	7,862
	-----	-----	-----
INCOME FROM OPERATIONS	4,543	5,215	4,683
	-----	-----	-----
OTHER EXPENSE:			
Interest expense	1,337	2,499	3,043
Other expense - net	62	--	87
	-----	-----	-----
Total other expense	1,399	2,499	3,130
	-----	-----	-----
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	3,144	2,716	1,553
INCOME TAX PROVISION (BENEFIT)	1,235	(923)	483
	-----	-----	-----
INCOME BEFORE EXTRAORDINARY ITEM	1,909	3,639	1,070
EXTRAORDINARY ITEM, NET OF TAX (Note 4)	(156)	--	--
	-----	-----	-----
NET INCOME	\$ 1,753	\$ 3,639	\$ 1,070
	=====	=====	=====
BASIC AND DILUTED PER COMMON SHARE AMOUNTS:			
Income Before Extraordinary Item	\$ 0.38	\$ 0.72	\$ 0.21
	=====	=====	=====
Extraordinary Item	\$ (0.03)	\$ --	\$ --
	=====	=====	=====
Net Income	\$ 0.35	\$ 0.72	\$ 0.21
	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING	5,041,544	5,041,544	5,041,544

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

(basic and diluted)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-3

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 YEARS ENDED JUNE 29, 2002, JUNE 30, 2001, AND JULY 1, 2000
 (IN THOUSANDS EXCEPT SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
	NUMBER OF SHARES	AMOUNT			
BALANCE, July 3, 1999	5,041,544	\$ 50	\$ 28,162	\$ (27,766)	\$ 44
Net income	--	--	--	1,070	1,070
BALANCE, July 1, 2000	5,041,544	50	28,162	(26,696)	1,516
Net income	--	--	--	3,639	3,639
BALANCE, June 30, 2001	5,041,544	50	28,162	(23,057)	5,155
Net income	--	--	--	1,753	1,753
BALANCE, June 29, 2002	5,041,544	\$ 50	\$ 28,162	\$ (21,304)	\$ 6,908

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-4

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 29, 2002, JUNE 30, 2001, AND JULY 1, 2000
 (IN THOUSANDS)

	2002	2001	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 1,753	\$ 3,639	\$

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Adjustments to reconcile net income to			
net cash flows from operating activities:			
Depreciation and amortization	2,240	2,212	
Provision for losses on accounts receivable	216	342	
(Gain)/loss on sale of property, plant and equipment	2	(55)	
Extraordinary item	260	--	
Deferred income taxes	1,059	(1,142)	
Changes in operating assets and liabilities:			
Accounts receivable - net	637	(185)	
Inventories	(624)	117	
Prepaid expenses and other assets	263	(519)	
Accounts payable	(1,286)	35	
Accrued expenses and other liabilities	(148)	(158)	
	-----	-----	-----
Net Cash Flows from Operating Activities	4,372	4,286	
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	13	403	
Proceeds from sale of Niemand and GB Labels	--	--	
Purchases of property, plant and equipment	(842)	(803)	
	-----	-----	-----
Net Cash Flows from Investing Activities	(829)	(400)	
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net payments under revolving credit facility	(2,993)	(798)	
Net principal repayments of long-term debt	(15,845)	(3,081)	
Net repayments under capital leases	(30)	(23)	
Proceeds from refinancing	15,553	--	
Refinancing costs	(327)	--	
	-----	-----	-----
Net Cash Flows from Financing Activities	(3,642)	(3,902)	
	-----	-----	-----
NET DECREASE IN CASH	(99)	(16)	
CASH AT BEGINNING OF YEAR	144	160	
	-----	-----	-----
CASH AT END OF YEAR	\$ 45	\$ 144	\$
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE:			
Income taxes paid	\$ 113	\$ 191	\$
	=====	=====	=====
Interest paid	\$ 1,186	\$ 2,365	\$
	=====	=====	=====
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Capital lease obligations	\$ 234	\$ --	\$
	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

GIBRALTAR PACKAGING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THREE YEARS ENDED JUNE 29, 2002, JUNE 30, 2001, AND JULY 1 2000

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION - The accompanying consolidated financial statements include the accounts of Gibraltar Packaging Group, Inc. (the "Company") and its wholly owned subsidiaries; RidgePak Corporation (dba "Flashfold Carton") and Standard Packaging & Printing Corporation ("Standard Packaging"). The activity of Niemand Industries, Inc. ("Niemand") and GB Labels, Inc. ("GB Labels") have been included in the consolidated financial statements through the date of disposition. All significant intercompany accounts and transactions have been eliminated.

DESCRIPTION OF BUSINESS - The Company designs and manufactures high quality specialty packaging products in facilities located in Nebraska, Indiana, and North Carolina, and markets these products primarily to customers throughout the United States. The Company's products include folding cartons, specialty laminated containers, and flexible packaging for a wide range of businesses. Based on the nature of the product, the production processes, types of customers, and methods used to distribute products, the Company operates in one reportable segment.

FISCAL YEAR - The Company ends its fiscal year on the Saturday closest to June 30.

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. The Company utilizes a cash management system that includes zero balance accounts. Negative cash balances for such accounts, resulting from outstanding checks, are reclassified to checks not yet presented in the consolidated financial statements.

ACCOUNTS RECEIVABLE - The changes in the allowance for doubtful accounts receivable consist of the following (in thousands):

	YEARS ENDED		
	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Allowance, Beginning of Year	\$ 508	\$ 185	\$ 194
Provision for Uncollectible Accounts	216	342	28
Write-off of Uncollectible Accounts	(203)	(19)	(37)
Allowance, End of Year	\$ 521	\$ 508	\$ 185

INVENTORIES - Inventories are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY, PLANT AND EQUIPMENT - Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings	40 years
-----------	----------

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Machinery and equipment	2-20 years
Vehicles	3-8 years
Furniture and fixtures	3-10 years

F-6

GOODWILL - Through fiscal 2002, goodwill was being amortized over a forty-year period on a straight-line basis. The carrying value of goodwill was evaluated in relation to the operating performance and future undiscounted net cash flows of the related acquired businesses. Starting in fiscal 2003 and in accordance with SFAS 142, GOODWILL AND OTHER INTANGIBLE ASSETS, goodwill will no longer be amortized, but will be tested for impairment on an annual basis.

IMPAIRMENT OF LONG-LIVED ASSETS - Recoverability of long-lived assets not held for sale are evaluated by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. The evaluation of the recoverability of long-lived assets that are held for sale are based on comparing the assets' carrying amount with its fair value less cost to sell. Based on these evaluations, there were no adjustments to the carrying value of long-lived assets in fiscal years 2002, 2001 and 2000.

DISPOSAL OF ASSETS - In connection with a modification of the Company's strategic plan, the Company previously divested itself of the operating assets of two of its subsidiaries, GB Labels and Niemand.

In the fourth quarter of fiscal 1999, the sale of the container business of Niemand was finalized. The remainder of the operating assets were sold effective February 1, 2000. No gain or loss was recorded on the sales in either fiscal 2000 or fiscal 1999.

The sale of the operating assets of GB Labels was effective August 30, 1999. No gain or loss was recorded on the sale in fiscal 2000.

Individually and in total, the assets disposed of were not material to the Company's financial statements. Accordingly, pro forma financial statements are not presented.

OTHER ASSETS - Costs associated with obtaining financing arrangements are included in other assets. In December 2001, the Company capitalized approximately \$0.4 million, representing the cost of refinancing its debt under a new credit facility, as described in Note 4. This amount is being amortized over thirty-six months. As part of the refinancing, the Company recorded an extraordinary loss of \$260,000 (\$156,000 after tax) or \$0.03 per share after tax reflecting the write-off of unamortized finance costs relating to the previous credit facility in fiscal 2002.

REVENUE RECOGNITION - Revenue is recognized when title to finished product passes to the customer which is primarily upon shipment of products.

SHIPPING AND HANDLING COSTS - Shipping and handling costs are included in cost of goods sold in the consolidated statements of operations.

EARNINGS PER SHARE - Basic earnings per share data are based on the weighted average outstanding common shares during the period. Diluted earnings per share data are based on the weighted average outstanding common shares and the effect of all dilutive potential common shares, including stock options.

NEW ACCOUNTING PRONOUNCEMENTS - In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, BUSINESS COMBINATIONS, and SFAS No. 142,

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

GOODWILL AND OTHER INTANGIBLE ASSETS. These standards establish accounting and reporting for business combinations, goodwill and other intangibles. SFAS No. 141 requires all business combinations entered into subsequent to June 30, 2001 to be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized, but will be tested for impairment on an annual basis. SFAS No. 142 is effective for the Company beginning July 1, 2002. The Company has not quantified the impact resulting from the adoption of these standards including the impact, if any, of completion of the annual impairment test. However, the historical impact of not amortizing goodwill would have been to increase net income for fiscal years 2002, 2001, and 2000 by \$135,000, \$135,000, and \$161,000, respectively.

F-7

In July 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. This standard addresses financial accounting and reporting for obligations related to the retirement of tangible long-lived assets and the related asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

In August 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. The standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets and is effective for fiscal years beginning after December 15, 2001. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

In April 2002, the FASB issued SFAS No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. This standard concludes that debt extinguishments used as part of a company's risk management strategy should not be classified as an extraordinary item. SFAS No. 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. In fiscal 2002, the Company recorded an extraordinary loss of \$260,000 (\$156,000 after tax) reflecting the write-off of unamortized finance costs. For the purpose of comparability, the presentation of this amount will be changed to reflect the requirements of SFAS No. 145 in future filings.

In June 2002, the FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity is recognized at fair value when the liability is incurred and is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect its adoption of this standard in fiscal 2003 to have a significant impact on its financial statements.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATION - Certain amounts in the fiscal 2001 financial statements have

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

been reclassified to conform with the fiscal 2002 presentation.

2. INVENTORIES

Inventories consisted of the following (in thousands):

	JUNE 29, 2002	JUNE 30, 2001
Finished goods	\$ 4,665	\$ 4,846
Work in process	935	797
Raw materials	1,414	764
Manufacturing supplies	303	286
	-----	-----
	\$ 7,317	\$ 6,693
	=====	=====

F-8

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (at cost) consisted of the following (in thousands):

	JUNE 29, 2002	JUNE 30, 2001
Land	\$ 632	\$ 632
Buildings	12,016	11,852
Machinery, equipment and vehicles	21,439	20,711
Furniture and fixtures	1,598	1,516
Construction-in-progress	9	19
	-----	-----
	35,694	34,730
Less accumulated depreciation	20,007	18,140
	-----	-----
	\$ 15,687	\$ 16,590
	=====	=====

4. FINANCING AGREEMENTS

Long-term debt consisted of (columnar amounts in thousands):

	JUNE 29, 2002	JUNE 30, 2001
Term Loan	\$ 11,553	\$ 14,734
Special Advance Loan	2,889	--
Revolving credit facility	3,582	6,575
Capital lease obligations (Note 8)	242	38
	-----	-----
Total	18,266	21,347
Less current portion	3,349	2,769

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

	-----	-----
Long-term debt	\$ 14,917	\$ 18,578
	=====	=====

On December 20, 2001, the Company entered into a three-year renewable credit facility with LaSalle Business Credit, Inc. ("LaSalle"). This facility provides for an \$11.6 million Term Loan, a \$4.0 million Special Advance Loan, and a \$12.0 million working capital revolving line-of-credit ("Revolver"). The Term Loan and Special Advance Loan combined are to be repaid over seven years, but are callable after three years. The Special Advance Loan, which is to be repaid first, requires monthly principal payments of \$185,155 plus interest. Additionally, the credit facility provides for an Excess Cash Flow Payment to be applied against the Special Advance Loan after each fiscal year-end until it is repaid. The Excess Cash Flow Payment for fiscal 2002 is approximately \$1.1 million and will be paid in October 2002. Until the Special Advance is repaid, monthly interest payments will be made on the Term Loan. Upon repayment of the Special Advance Loan, monthly principal payments based on the remaining amortization period plus interest will be applied against the Term Loan. The credit facility is secured by a first priority perfected security interest in and lien on all assets (real and personal, tangible and intangible) of the Company, excluding its Burlington, North Carolina property. The initial proceeds of the new facility were used to repay the outstanding indebtedness under the Company's previous credit facility with First Source Financial LLP. As part of the refinancing, the Company recorded an extraordinary loss of \$260,000 (\$156,000 after tax) or \$0.03 per share after tax reflecting the write-off of unamortized finance costs relating to the previous credit facility in fiscal 2002.

The Revolver provides for a revolving line of credit under a borrowing base commitment subject to certain loan availability requirements. Loan availability

F-9

under the Revolver may not exceed the lesser of: (1) \$12.0 million; or (2) the sum of (a) 85% of the Company's eligible accounts receivable plus (b) a percentage of the Company's eligible inventory which ranges from 35% to 70%. At no time may the sum of aggregated loan advances outstanding under the Revolver plus the aggregate amount of extended letter of credit guarantees exceed loan availability. The Company had available to it unused borrowing capacity of \$4.9 million as of June 29, 2002.

The Revolver bears interest at LaSalle's prime rate plus 0.50% or the London Interbank Offered Rate ("LIBOR") plus 2.75%. The Term Loan bears interest at LaSalle's prime rate plus 0.75% or LIBOR plus 3.00%. The Special Advance Loan bears interest at LaSalle's prime rate plus 1.00% or LIBOR plus 3.25%. The Company also pays a commitment fee of 0.50% on the unused portion of the Revolver. The interest rates at June 29, 2002 were a combination of prime and LIBOR. LaSalle's prime and LIBOR rates for the Revolver and Special Advance Loan were 4.75% and 1.96%, respectively, at June 29, 2002. LaSalle's prime and LIBOR rates for the Term Loan were 4.75% and 2.20%, respectively, at June 29, 2002.

As of June 29, 2002, all outstanding letters of credit were guaranteed by LaSalle. The Company pays an annual letter of credit fee of 2.00% on the outstanding balance to guarantee availability under the Revolver. Outstanding letters of credit at June 29, 2002 amounted to \$147,500 and related to workman's compensation insurance policies.

The LaSalle credit facility contains certain restrictive covenants including financial covenants related to net worth, debt service coverage, interest

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

coverage and capital expenditures. As of June 29, 2002, the Company was in compliance with all financial covenants. In addition, the Company's credit facility restricts the ability of the Company to pay dividends.

Anticipated maturities of long-term debt subsequent to June 29, 2002, pursuant to the credit facility and future minimum payments under finance leases, are as follows (in thousands):

	AMOUNTS
2003	\$ 3,349
2004	2,268
2005	12,556
2006	51
2007	42

Total	\$ 18,266
	=====

5. INCOME TAXES

The provision (benefit) for income taxes, after extraordinary item, consists of the following (in thousands):

	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Current:			
Federal	\$ --	\$ 62	\$ --
State	72	157	33
Deferred	1,059	(1,142)	450
	-----	-----	-----
	\$ 1,131	\$ (923)	\$ 483
	=====	=====	=====

F-10

The following represents a reconciliation between the actual income tax expense and income taxes computed by applying the statutory federal income tax rate to income (loss) before income taxes:

	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Statutory rate	\$ 981	\$ 923	\$ 528
State income tax effect	81	95	45
Change in valuation allowance	(7)	(1,969)	(127)
Amortization of goodwill	46	46	55
Other - net	30	(18)	(18)
	-----	-----	-----
Total	\$ 1,131	\$ (923)	\$ 483
	-----	-----	-----

Deferred income tax assets and liabilities result from reporting income and expenses in different periods for tax and financial reporting purposes. The deferred tax assets and liabilities are comprised of the following (in thousands):

	JUNE 29, 2002	JUNE 30, 2001
--	------------------	------------------

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Deferred income tax assets:		
Difference in basis of amortizable assets	\$ 195	\$ 210
Non-deductible accrued liabilities	996	939
State net operating loss carryforwards	1,427	1,502
State tax credits carryforward	369	875
Federal net operating loss carryforward	925	2,223
AMT credit carryforward	411	454
Differences in the basis of inventory for tax purposes	153	178
Other - net	11	12
	-----	-----
Total	4,487	6,393
Deferred tax asset valuation allowance	(1,804)	(2,313)
	-----	-----
Net	2,683	4,080
	-----	-----
Deferred tax liabilities:		
Difference in basis of property, plant and equipment	(2,725)	(3,061)
Other	(187)	(189)
	-----	-----
Total	(2,912)	(3,250)
	-----	-----
Net deferred income tax asset (liability)	\$ (229)	\$ 830
	=====	=====

At June 29, 2002, the Company had the following tax net operating loss carryforwards for federal income tax purposes (in thousands):

EXPIRATION	AMOUNTS
2013	\$ 2,571
2019	71
2020	78

Total	\$ 2,720
	=====

At June 29, 2002, the Company had a state investment tax credit carryforward of approximately \$0.4 million which expires if unutilized by the year 2005. These credits are available to offset both Nebraska state income tax and Nebraska sales tax on qualifying purchases.

F-11

6. EMPLOYEE BENEFIT PLANS

The Company maintains a noncontributory defined benefit pension plan (the "benefit plan") covering substantially all of the RidgePak Corporation hourly union employees fulfilling participation requirements. Benefits are based on the employee's years of credited service. The Company's funding policy is to contribute annually the minimum amount required under ERISA. Plan assets are held by an independent trustee and consist of U.S. Government securities, time deposits, common stocks, corporate bonds and collective investment funds.

The change in benefit obligation and plan assets and the reconciliation of funded status for the years presented included the following components (dollars in thousands):

JUNE 29, JUNE 30,

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

	2002	2001
Change in benefit obligations:		
Benefit obligation at beginning of year	\$ 598	\$ 555
Service cost	48	43
Interest cost	40	43
Actuarial gain	6	54
Benefits paid	(119)	(97)
	-----	-----
Benefit obligation at end of year	573	598
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year	666	685
Actual return (loss) on plan assets	(10)	13
Employer contribution	40	65
Benefits paid	(119)	(97)
	-----	-----
Fair value of plan assets at end of year	577	666
	-----	-----
Reconciliation of funded status:		
Plan assets in excess of projected benefit obligation	4	68
Unrecognized loss	179	115
Contributions made after the measurement date	40	40
	-----	-----
Prepaid pension cost recognized on balance sheet	\$ 223	\$ 223
	=====	=====
Discount rate used to calculate the above liability	7.25%	7.25%

The net periodic pension cost and assumptions used for the years presented included the following components (dollars in thousands):

	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Service cost-benefits earned during the period	\$ 48	\$ 43	\$ 45
Interest cost on projected benefit obligation	40	43	39
Expected return on plan assets	(52)	(58)	(52)
Amortization of loss	4	--	--
	-----	-----	-----
Net periodic pension cost	\$ 40	\$ 28	\$ 32
	=====	=====	=====
Discount rate used to calculate expense	7.25%	8.00%	7.50%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%

F-12

The Company also sponsors a defined contribution 401(k) plan (the "Gibraltar Plan"). Employees are eligible to participate in the Gibraltar Plan upon completion of six months of credited service. An employee may contribute up to 15% of his or her earnings on a pre-tax basis subject to IRS limitations. The Company matches 25% of an employee's contribution up to a maximum of 4% of eligible compensation. Participants fully vest in Company contributions after five years with partial vesting after one year.

The Company's contributions to the Gibraltar Plan for the years ended June 29,

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

2002, June 30, 2001, and July 1, 2000 were approximately \$88,000, \$83,000 and \$86,000 respectively.

7. STOCK OPTION PLANS

The 1992 Incentive Stock Option Plan (the "1992 Plan") provides for grants to key employees of the Company of options to purchase in the aggregate up to 300,000 shares of the Company's common stock with exercise prices equal to or greater than the market price at the date of grant. Options granted under the 1992 Plan are exercisable no earlier than six months and no later than ten years from the grant date.

The Director Stock Option Plan (the "Directors Plan") provides for each independent director to receive a grant of an option to purchase 3,000 shares of the Company's common stock at an exercise price equal to the market price at the date such person is elected to the board. Options granted under the Directors Plan are exercisable no earlier than six months and no later than ten years from the grant date.

The 1998 Stock Appreciation Rights Plan (the "Plan") provides for the discretionary granting of stock appreciation rights ("SAR") to key employees of the Company, and is to be administered by the Compensation Committee of the Company's Board of Directors. SARs held by grantees under the Plan entitle the holder to cash payments only. Effective January 15, 1999, 150,000 SARs valued at \$2.25 each and 150,000 SARs valued at \$3.00 each were granted to officers of the Company. The SARs vest at 20% per year through the maturity date of June 30, 2003. No compensation expense has been recorded related to this plan, since the value of the SARs exceed the current trading price of the stock.

A summary of stock option transactions under the Company's employee option plans and the Director's stock plan for each of the three years in the period ended June 29, 2002 is as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at July 3, 1999	52,834	\$ 7.59
Granted	--	--
Exercised	--	--
Canceled or Lapsed	(1,500)	9.00
	-----	-----
Outstanding at July 1, 2000	51,334	7.55
Granted	--	--
Exercised	--	--
Canceled or Lapsed	--	--
	-----	-----
Outstanding at June 30, 2001	51,334	\$ 7.55
Granted	--	--
Exercised	--	--
Canceled or Lapsed	--	--
	-----	-----
Outstanding at June 29, 2002	51,334	\$ 7.55
	=====	=====
Shares exercisable at July 1, 2000	51,334	\$ 7.55
Shares exercisable at June 30, 2001	51,334	\$ 7.55
Shares exercisable at June 29, 2002	51,334	\$ 7.55

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

The following table summarizes information about stock options outstanding at June 29, 2002:

Range of Exercise Prices -----	Number Outstanding -----	Weighted Avg. Remaining Contractual Life ----	Weighted Average Exercise Price -----	Number Exercisable -----	Weighted Average Exercisable -----
\$6.00 - \$6.50	22,334	0.1 years	\$ 6.02	22,334	\$ 6.02
\$8.00 - \$9.00	29,000	1.7 years	8.73	29,000	8.72
	-----		-----	-----	-----
	51,334	1.0 Years	\$ 7.55	51,334	\$ 7.55

The Company accounts for its stock-based compensation under the provisions of APB Opinion 25, "Accounting for Stock Issued to Employees" and related interpretations, which utilize the intrinsic value method. No compensation cost has been recognized related to the Company's stock option plans. Had compensation cost been determined based on the fair value of the options at the date of grant consistent with the requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company's net income (loss) and earnings per share would have been changed to the pro forma amounts indicated below:

	JUNE 29, 2002	JUNE 30, 2001	JULY 1, 2000
Net income (loss) applicable to common shareholders			
As reported	\$ 1,753	\$ 3,639	\$ 1,070
Pro forma	\$ 1,753	\$ 3,639	\$ 1,070
Net income (loss) per basic and diluted common share			
As reported	\$ 0.35	\$ 0.72	\$ 0.21
Pro forma	\$ 0.35	\$ 0.72	\$ 0.21

At June 29, 2002, the stock option exercise prices for the two existing plans exceeded the market value of the Company's common stock and therefore the options are excluded from the Company's earnings per share calculation.

8. LEASES

The Company leases certain manufacturing equipment under non-cancelable capital leases. As a result, the present value of the remaining future minimum lease payments is recorded as a capitalized lease asset and related capitalized lease obligation. Assets under these capital leases are included as part of Property, Plant and Equipment in the Consolidated Balance Sheets and are identified as follows (dollars in thousands):

JUNE 29, 2002	JUNE 30, 2001
------------------	------------------

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

Machinery, equipment and vehicles	\$ 270	\$ 73
Furniture and fixtures	37	--
	-----	-----
	307	73
Less accumulated amortization	47	27
	-----	-----
	\$ 260	\$ 46
	=====	=====

F-14

The Company leases office and manufacturing space, manufacturing equipment, computer equipment, vehicles and warehouse space under non-cancelable operating leases. Rent expense for the fiscal years ended June 29, 2002, June 30, 2001, and July 1, 2000 under operating lease agreements was approximately \$1.5 million, \$1.4 million, and \$1.3 million, respectively.

As of June 29, 2002, approximate minimum future lease commitments under capital and operating leases were as follows (in thousands):

	CAPITAL	OPERATING
2003	\$ 73	\$ 1,288
2004	60	1,086
2005	57	707
2006	57	244
2007	43	140
Thereafter	--	143
	-----	-----
Total minimum lease payments	290	\$ 3,608
		=====
Amount representing interest	48	

Present value of minimum lease payments	242	
Less current portion	56	

Long-term lease obligation	\$ 186	

OPERATING LEASES (AS LESSOR) - The Company leases its Niemand facility to the company that acquired the operating assets of Niemand's container packaging and filling business. The non-cancelable lease term is for five years and contains a five-year renewal option. The lessee also has the option to purchase the facility during this period for \$1.1 million. The carrying value of the facility at June 29, 2002 is \$1.7 million. As of June 29, 2002, approximate future minimum lease payments were as follows (in thousands):

	AMOUNTS
2003	\$ 160
2004	160
2005	93

Total	\$ 413
	=====

9. COMMITMENTS AND CONTINGENCIES

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

LEGAL PROCEEDINGS - From time to time, the Company is a party to certain lawsuits and administrative proceedings that arise in the conduct of its business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty, management believes that, if adversely determined, the lawsuits and proceedings, either singularly or in the aggregate, would not have a material adverse effect on the financial condition, results of operations, or net cash flows of the Company.

ENVIRONMENTAL MATTERS - In May 1995, the Company discovered groundwater contamination at its Burlington, North Carolina facility. Based on work performed by its environmental consultants, the Company established a reserve of \$750,000 for such remediation costs in fiscal 1995. The Company's accrual for such remediation costs included in other long-term liabilities on the Consolidated Balance Sheet approximates \$430,000 and \$431,000 as of June 29, 2002 and June 30, 2001, respectively. Cumulative incurred expenses as of June 29, 2002 related to remediation totaled \$320,000. In June of 1998, the Company completed a follow-up assessment of the facility, which was then filed with the Division of Water Quality ("DWQ"). The Company is awaiting a reply from the DWQ. Management believes that the ultimate resolution of this and other environmental matters will not materially affect the financial position or results of future operations and cash flows of the Company.

F-15

10. RELATED PARTY TRANSACTIONS

The Company's CEO holds an equity interest in Rostra Technologies, Inc. ("Rostra"). During fiscal 2002, the Company paid \$100,000 to Rostra in management fees for services provided by the Company's CEO in fiscal years 2000 and 2001. At June 29, 2002, the Company owed Rostra \$50,000 in management fees for services provided by the Company's CEO during fiscal 2002.

11. SEVERANCE, OFFICE MOVING AND RESTRUCTURING CHARGES

In recent years, the Company has restructured its corporate headquarters and certain aspects of its business in an effort to reduce its cost structure and remain competitive in its markets. Restructuring charges primarily involve the separation of employees, moving costs and similar actions. Costs for restructuring activities are limited to incremental costs that directly result from the restructuring activities and provide no future benefit to the Company.

In fiscal 1996, the Company recorded a pre-tax charge of \$1,038,000 for severance of nine members of senior management (\$937,000) and other costs with no future benefits resulting from the move of the corporate office (\$101,000) from Charlotte, North Carolina to Westport, Connecticut. The move was completed by June 29, 1996.

At June 29, 2002, June 30, 2001, and July 1, 2000, accrued liabilities and other long-term liabilities included approximately \$0, \$53,000, and \$116,000, respectively, related to the severance portion of these restructuring charges. The change in these reserves is the direct result of cash outflows related to the restructuring.

12. MAJOR CUSTOMERS

Sales to the Company's top three customers accounted for approximately 39%, 36%, and 28% of net sales for fiscal years 2002, 2001, and 2000, respectively. Sales

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

to one customer represented approximately 17%, 17%, and 16% of net sales for fiscal years 2002, 2001, and 2000, respectively. Sales to another customer represented approximately 13% and 11% of net sales for fiscal years 2002 and 2001, respectively.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, accounts receivable and accounts payable approximates fair value because of the short-term maturity of these instruments.

The carrying value of the Company's borrowings under its long-term revolving credit agreement and other long-term borrowings approximates fair value based on quoted market prices for the same or similar instruments.

The fair value of the Company's letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate or settle the obligations. As of June 29, 2002, the fair value of the letters of credit was \$147,500.

F-16

14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended June 29, 2002 and June 30, 2001 (in thousands, except per share data):

	QUARTER ENDED					
	2002	SEPTEMBER 30	DECEMBER 31 (1)	MARCH 31	JUNE 30	
Net Sales	\$	15,356	\$ 15,325	\$ 16,139	\$ 16,983	\$
Gross Profit		2,999	2,963	3,095	3,350	
Net Income		359	241	479	674	
Per Common Share Amounts: (basic and diluted)						
Net Income	\$	0.07	\$ 0.05	\$ 0.10	\$ 0.13	\$
	QUARTER ENDED					
2001	SEPTEMBER 30 (2)	DECEMBER 31 (2)	MARCH 31 (2)	JUNE 30 (2)		
Net Sales	\$	16,396	\$ 16,416	\$ 16,275	\$ 14,997	\$
Gross Profit		3,530	3,392	3,318	2,936	
Net Income		562	515	494	2,068	
Per Common Share Amounts: (basic and diluted)						
Net Income	\$	0.11	\$ 0.10	\$ 0.10	\$ 0.41	\$

(1) In the second quarter of fiscal 2002, the Company refinanced its credit facility with LaSalle. As part of this refinancing, the Company recorded an extraordinary after tax loss of \$156,000 or \$0.03 per share

Edgar Filing: GIBRALTAR PACKAGING GROUP INC - Form 10-K

reflecting the write-off of unamortized finance costs relating to the previous existing credit facility.

- (2) As a result of earnings improvements, the Company reduced its deferred tax asset valuation allowance by \$2.0 million in fiscal 2001 to reflect a change in estimate related to the realizability of its deferred income tax assets. Of this change, \$109,000, \$113,000, \$103,000, and \$1,644,000 was made in the first, second, third, and fourth quarters of fiscal 2001, respectively.

F-17