NCI BUILDING SYSTEMS INC
Form 424B3
April 28, 2005

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-122457

PROSPECTUS

$180,000,000

NCI BUILDING SYSTEMS, INC.

2.125% Convertible Senior Subordinated Notes due 2024

and

Common Stock Issuable upon Conversion of the Notes

This prospectus relates to $180,000,000 aggregate principal amount of our 2.125% Convertible Senior Subordinated Notes due 2024. We originally issued and sold the notes in a private placement in November 2004. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of the notes.

We will pay 2.125% interest per annum on the principal amount of the notes, semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2005. Interest is accruing from November 16, 2004. The notes will mature on November 15, 2024. The notes are our general unsecured senior subordinated obligations and rank junior in right of payment to all of our other existing and future senior debt, including obligations under our senior credit agreement. The notes effectively rank junior to our subsidiaries liabilities.

Holders may convert the notes into the consideration described below at a conversion rate equivalent to 24.9121 shares of common stock per $1,000 principal amount of notes, subject to adjustment, before the close of business on the business day immediately preceding November 15, 2024 only under the following circumstances: (i) during any calendar quarter commencing after December 31, 2004, if the closing price of our common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the preceding calendar quarter; (ii) subject to certain exceptions, during the five business days after any five consecutive trading day period in which the trading price per $1,000 principal amount of the notes for each day of such period was less than 98% of the product of the closing price of our common stock and the applicable conversion rate; (iii) if the notes have been called for redemption; or (iv) upon the occurrence of certain corporate transactions. Upon conversion, we will deliver cash up to the aggregate principal amount of notes to be converted, and shares of our common stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted. The conversion rate is subject to adjustment in certain circumstances. We will also pay a make whole premium and accrued and unpaid interest, and additional amounts, if any, if holders convert their notes in connection with certain designated events that occur on or prior to November 15, 2009.

Beginning on November 20, 2009, we may redeem any of the notes at any time, or from time to time, in whole or in part, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, including additional amounts, if any. You may require us to repurchase your notes for cash on November 15, 2009, November 15, 2014 and November 15, 2019, or at any time prior to their maturity following a designated event, as defined herein, at a repurchase price of 100% of their principal amount, plus accrued and unpaid interest, including additional amounts, if any. We will also pay a make whole premium if holders require us to repurchase their notes in connection with certain designated events that occur on or prior to November 15, 2009.

Our common stock is listed on the New York Stock Exchange under the symbol NCS. The closing price of our common stock on April 27, 2005 was $34.14 per share.

Investing in the notes involves risks. Risk Factors begins on page 9 of this prospectus.

The notes trade in the PORTAL Market[SM] of the National Association of Securities Dealers, Inc.; however, the notes resold under this prospectus will no longer trade in the PORTAL Market.[SM]

We will not receive any of the proceeds from the sale of the notes or shares of common stock by any of the selling securityholders. The notes and the shares of common stock may be offered and sold from time to time directly from the selling securityholders or alternatively through underwriters or broker-dealers or agents. The notes and the shares of common stock may be sold in one or more transactions at fixed prices, at the prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Please read Plan of Distribution.

You should rely only on the information contained or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of that document. Our business, financial condition, results of operations and prospects may have changed since that date. Any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED WHETHER THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is April 28, 2005.

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Unless the context otherwise requires, references in this prospectus to the company, NCI, we, our, and us will m
NCI Building Systems, Inc., a Delaware corporation, and its direct and indirect subsidiaries and predecessors.

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WHERE YOU CAN FIND MORE INFORMATION

We are required to comply with the reporting requirements of the Securities Exchange Act of 1934, and, in accordance with those requirements, we file combined reports, proxy statements and other information with the SEC.

This prospectus is part of a registration statement we have filed with the SEC relating to the notes and the common stock, if any, issuable upon conversion thereof. As permitted by SEC rules, this prospectus does not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, the exhibits and the schedules for more information about us and our securities. The registration statement, exhibits and schedules are available at the SEC s public reference room or through its website.

You can call the SEC s toll-free number at 1-800-SEC-0330 for further information. The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding companies like ours that file with the SEC electronically. The documents can be found by searching the EDGAR archives at the SEC s website or can be inspected and copied at the Public Reference Section of the SEC located at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Our SEC filings and other information about us may also be obtained from our website at *www.ncilp.com*, although information on our website does not constitute a part of this prospectus. Material that we have filed may also be inspected at the library of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We have elected to incorporate by reference certain information into this prospectus, which means we can disclose important information to you by referring you to another document filed with the SEC. The information incorporated by reference is deemed to be part of this prospectus. Please read Incorporation by Reference. You should only rely on the information contained in this prospectus and incorporated by reference in it. We have not authorized anyone to provide you with any additional information.

INCORPORATION BY REFERENCE

We are incorporating by reference into this prospectus the following documents filed with the SEC (excluding any portions of such documents that have been furnished but not filed for purposes of the Securities Exchange Act of 1934, as amended):

our annual report on Form 10-K for the fiscal year ended October 30, 2004, filed with the SEC on January 13, 2005;

our quarterly report on Form 10-Q for the fiscal quarter ended January 29, 2005, filed with the SEC on March 10, 2005.

our current reports on Form 8-K dated November 9, 2004, filed with the SEC on November 16, 2004; dated February 10, 2005, filed with the SEC on February 10, 2005; and dated March 11, 2005, filed with the SEC on March 14, 2005;

the description of our common stock and the associated preferred stock purchase rights contained in our Forms 8-A12B, filed with the SEC on July 20, 1998 and June 25, 1999, as we may update those descriptions from time to time; and

- all other documents filed by us under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus and prior to the termination of the offering.

Any statement contained in this prospectus or a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is deemed to be incorporated by reference in this prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

The documents incorporated by reference in this prospectus are available from us upon request. We will provide a copy of any and all of the information that is incorporated by reference in this prospectus to any person, without charge, upon written or oral request. Requests for such copies should be directed to the following:

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NCI Building Systems, Inc.
10943 North Sam Houston Parkway West
Houston, Texas 77064
Telephone Number: (281) 897-7788
Attention: General Counsel

Except as provided above, no other information, including, but not limited to, information on our website, is incorporated by reference in this prospectus.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements (including the notes thereto) appearing elsewhere or incorporated by reference in this prospectus. Because this is a summary, it may not contain all the information that may be important to you. You should read the entire prospectus, as well as the information incorporated by reference, before making an investment decision. Some of the statements in this Summary are forward-looking statements. Please read Forward-Looking Statements for more information regarding these statements. Our fiscal year end is the Saturday closest to October 31st. Our most recent fiscal year end was October 30, 2004.

Who We Are

We are one of North America s largest integrated manufacturers of products for the non-residential construction industry. We operate 37 manufacturing facilities located in 16 states and in Mexico. We sell metal components, engineered building systems and metal coil coating services, offering one of the most extensive metal product lines in the building industry with well-recognized brand names. We believe that our leading market positions and strong track record of growth and profitability have resulted from our focus on:

- controlling operating and administrative costs;
- managing working capital and fixed assets;
- developing new markets and products; and
- successfully identifying strategic growth opportunities.

We believe that metal products have gained and continue to gain a greater share of the new non-residential construction and repair and retrofit markets as a result of increasing acceptance and recognition of the benefits of metal products in building applications. Metal building components offer builders, designers, architects and end users several advantages, including lower long-term costs, longer life, attractive aesthetics and design flexibility. Similarly, engineered building systems offer a number of advantages over traditional construction alternatives, including shorter construction time, more efficient use of materials, lower construction costs, greater ease of expansion and lower maintenance costs.

We have a history of making acquisitions within our industry, and we regularly evaluate growth opportunities both through acquisitions and internal investment. Please read Recent Developments below.

We were founded in 1984 and we reincorporated in Delaware in 1991. Our principal offices are located at 10943 North Sam Houston Parkway West, Houston, Texas 77064, and our telephone number is (281) 897-7788. Unless indicated otherwise, references in this prospectus to NCI, us, or we include our predecessors and our subsidiaries.

We file annual, quarterly and current reports and other information with the SEC. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with any amendments to those reports, are available free of charge at our corporate website at *http://www.ncilp.com* as soon as practicable after such material is electronically filed with, or furnished to, the SEC. In addition, our website includes other items related to corporate governance matters, including, among others, our corporate governance guidelines, charters of various committees of our board of directors and the code of business conduct and ethics applicable to our employees, officers and directors. You may obtain copies of these documents, free of charge, from our corporate website. However, the information on our website is not incorporated by reference into this prospectus.

Our Business Segments

Based upon similarities in product lines, manufacturing processes and marketing and management functions, we have divided our operations into three reportable segments: metal components, engineered building systems and metal coil coating. Products of all three segments are similar in basic raw materials used. The engineered building systems segment includes the manufacturing of main frames and Long Bay® Systems and also includes value added engineering and drafting, which are typically not part of metal building component or metal coil coating products or services. Metal coil coating consists of cleaning, treating and painting continuous steel coils before the steel is fabricated for use by construction and industrial users. Our sales to outside customers, operating income and total assets attributable to these business segments were as follows for the fiscal years indicated (in thousands):

	2002		2003		2004	
Sales:						
Metal components	$ 507,079	53%	$ 473,499	53%	$ 576,808	53%
Engineered building systems	317,926	33	297,304	33	385,246	36
Metal coil coating	128,437	14	127,347	14	122,809	11
Intersegment sales	97,024	10	106,338	12	195,191	18
Eliminations	(97,024)	(10)	(106,338)	(12)	(195,191)	(18)
Total net sales	$ 953,442	100%	$ 898,150	100%	$ 1,084,863	100%
Operating income:						
Metal components	$ 46,829		$ 45,851		$ 76,724	
Engineered building systems	28,695		18,055		31,340	
Metal coil coating	23,578		21,204		26,444	
Corporate	(26,878)		(27,947)		(37,532)	
Total operating income	$ 72,224		$ 57,163		$ 96,976	
Total assets:						
Metal components	$ 307,539	43%	$ 304,910	43%	$ 323,026	41%
Engineered building systems	206,429	29	204,931	29	219,849	28
Metal coil coating	161,128	22	158,553	22	196,762	25
Corporate	46,169	6	44,766	6	43,220	6
Total assets	$ 721,265	100%	$ 713,160	100%	$ 782,857	100%

Metal Components. We are one of the largest domestic suppliers of metal components to the non-residential building industry. We design, manufacture, sell and distribute one of the widest selections of components for a variety of new construction applications as well as repair and retrofit uses.

The following are the types of products we sell:

- Metal roof and wall systems;
- Secondary structural members;
- Flashings and accessories;
- Roll-up and sectional doors; and
- Interior partition systems.

Our products are used in the following markets:

- Industrial;
- Governmental;
- Community;
- Self-storage;
- Commercial;

Agricultural; and

Residential

We market our metal components products nationwide primarily through a direct sales force under several brand names. These brand names include Metal Building Components, MBCI, American Building Components, ABC, Doors and Building Components, DBCI, NCI Metal Depots and Able Doors.

Engineered Building Systems. We are one of the largest domestic suppliers of engineered building systems. We design, manufacture and market engineered building systems, self-storage building systems and metal home framing systems for commercial, industrial, agricultural, governmental, community and residential uses. We market these systems nationwide through authorized builder networks totaling over 1,600 builders and a direct sales force under several brand names. These brand names include Metallic, Mid-West Steel, A & S, All American, Classic, Ste Systems, Mesco and IPS.

Metal Coil Coating. We provide products and services including the cleaning, treatment and painting of various flat-rolled metal coil substrates and the slitting/embossing of painted coils. We clean, treat and coat hot roll and light gauge metal coils for our own use in our other two business segments, supplying substantially all of our internal metal coil coating requirements. In fiscal 2004, our internal use accounted for approximately 53% of our

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production. We also clean,treat and coat hot roll metal coils and light gauge metal for third parties for a variety of applications, including construction products, heating and air conditioning systems, water heaters, lighting fixtures and office furniture. We market our metal coil coating services nationwide under the brand names Metal Coaters, Metal-Prep and DOUBLECOTE.

Recent Developments

On December 8, 2004, we purchased substantially all of the operating assets of Heritage Building Systems, Inc. and Steelbuilding.com, Inc., affiliated companies headquartered in Little Rock, Arkansas, for a combined purchase price of approximately $26 million, including $6 million in our common stock (199,767 shares), and assumed liabilities of approximately $2 million. Heritage primarily markets general purpose, engineered steel buildings, including for the agricultural market segment, and we believe that Steelbuilding.com is the largest marketer of engineered steel buildings via the Internet. We purchased these two companies because of their strong marketing operations and our belief that as part of our company they will be better positioned to leverage their sales and internet marketing and distribution channels to drive our sales growth.

On December 13, 2004, we purchased our joint venture partner s 49% interest in our manufacturing facility in Monterrey, Mexico, for approximately $10 million in cash.

In addition, we also evaluate from time to time possible dispositions of assets or businesses when such assets or businesses are no longer core to our operations and do not fit into our long-term strategy.

Executive Offices

Our executive offices are located at 10943 North Sam Houston Parkway West, Houston, Texas 77064, and our telephone number is (281) 897-7788. We maintain a website on the Internet at *http://www.ncilp.com*. The information on our website is not incorporated by reference in this prospectus.

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The Offering

Issuer	NCI Building Systems, Inc., a Delaware corporation.
Securities Offered	$180,000,000 principal amount of 2.125% Convertible Senior Subordinated Notes due 2024.
Maturity Date	November 15, 2024.
Interest	2.125% per annum on the principal amount, accruing from November 16, 2004, payable semi-annually in arrears in cash on May 15 and November 15 of each year, beginning May 15, 2005.
Ranking	The notes are our unsecured senior subordinated obligations and the payment of the principal of and interest on the notes is subordinated in right of payment to the prior payment in full in cash of our existing and future senior indebtedness, including obligations under our senior credit agreement. The notes also rank equally in express right of payment with our future senior subordinated indebtedness and senior to any of our existing and future subordinated indebtedness. The notes also rank junior to our secured indebtedness to the extent of the underlying collateral. The notes are effectively subordinated to all existing and future indebtedness and other liabilities including trade payables of our subsidiaries. As of October 30, 2004, we and our subsidiaries had approximately $216.7 million of outstanding senior indebtedness (including secured indebtedness under our senior credit agreement) and other liabilities, including trade payables, to which the notes are subordinated or effectively subordinated.
Conversion	You may convert the notes into the consideration described below opposite the caption Payment Upon Conversion at a conversion rate equivalent to 24.9121 shares of common stock per $1,000 principal amount of notes (representing a conversion price of approximately $40.14), subject to adjustment, prior to the close of business on the business day immediately preceding the final maturity date only under the following circumstances: during any calendar quarter, and only during such calendar quarter, if the closing price of our common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the preceding calendar quarter; or during the five business days after any five consecutive trading day period (the measurement period) in which the trading price per $1,00 principal amount of notes for each day of such measurement

period was less than 98% of the product of the closing price of our common stock

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- and the applicable conversion rate; *provided, however,* you may not convert your notes in reliance on this provision if on any day during such measurement period the closing price of our common stock was between 100% and 120% of the then current conversion price of the notes; or
- if the notes have been called for redemption; or
- upon the occurrence of specified corporate transactions described under Description of the Notes Conversion of the Notes Conversion Upon Specified Corporate Transactions; or
- upon the occurrence of certain designated events described under Description of the Notes Conversion of the Notes Conversion Upon Certain Designated Events.

If you convert your notes in connection with certain designated events that occur on or prior to November 15, 2009, as described below opposite the caption Make Whole Premium Upon a Designated Event, you will also receive a make whole premium and accrued and unpaid interest, including additional amounts, if any, on the notes you convert.

Our ability to pay the principal return in cash in the future will be subject to the limitations imposed by our existing senior credit agreement and by any limitations we may have in any other credit agreements or indebtedness that we may incur in the future. Please read Description of Senior Secured Credit Agreement.

Payment Upon Conversion

Subject to certain exceptions, upon conversion, holders may initially convert any outstanding notes into cash and shares of our common stock at a conversion rate equivalent to 24.9121 shares of common stock per $1,000 principal amount of notes, subject to adjustment as described below. Subject to certain exceptions, once notes are tendered for conversion, the value (the conversion value) of the cash and shares of our common stock, if any, to be received by a holder converting $1,000 principal amount of the notes will be determined by multiplying the applicable conversion rate by the ten trading day average closing price of our common stock beginning on the second trading day immediately following the day on which the notes are submitted for conversion.

We will deliver the conversion value to holders as follows:

- an amount in cash (the principal return) equal to the lesser of (a) the aggregate conversion value of the notes to be converted and (b) the aggregate

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	principal amount of the notes to be converted; if the aggregate conversion value of the notes to be converted is greater than the principal return, an amount in whole shares (the net shares), determined as set forth below, equal to such aggregate conversion value less the principal return (the net share amount); and an amount in cash in lieu of any fractional shares of common stock. This mechanism of paying the principal return in cash and paying the amount of the conversion value in excess of the principal return in net shares is referred to herein as the net share settlement feature. We will pay the principal return and cash in lieu of fractional shares and deliver the net shares, if any, as promptly as practicable after determination of the net share amount, but in no event later than three business days thereafter. The number of net shares to be paid will be determined by dividing the net share amount by the ten trading day average closing price of our common stock beginning on the second trading day immediately following the day on which the notes are submitted for conversion.
Sinking Fund	None.
Optional Redemption	We may not redeem any notes before November 20, 2009. Beginning on November 20, 2009, we may redeem some or all of the notes at any time or from time to time, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, including additional amounts, if any, up to, but excluding, the redemption date.
Repurchase at the Option of the Holder	You may require us to repurchase the notes for cash on November 15, 2009, November 15, 2014 and November 15, 2019, at a repurchase price equal to 100% of their principal amount plus accrued and unpaid interest, including additional amounts, if any, to, but excluding the repurchase date. Please read Description of the Notes-Repurchase at Option of the Holder. Our ability to repurchase your notes for cash in the future will be subject to the limitations imposed by our existing senior credit agreement and by any limitations we may have in any other credit agreements or indebtedness that we may incur in the future. Please read Description of Senior Secured Credit Agreement.
Repurchase Upon a Designated Event	If a designated event (as described under Description of the Notes-Repurchase at Option of the Holder Upon a Designated Event) occurs prior to maturity, you may require us to repurchase all or part of your notes for cash at a repurchase price equal to 100% of their

principal amount, plus accrued and unpaid interest, including

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	additional amounts, if any, plus, in the case of certain designated events that occur on or prior to November 15, 2009, a make whole premium, if any, payable solely in shares of our common stock (other than cash paid in lieu of fractional shares), or in the same form of consideration into which all or substantially all of our common stock has been converted in connection with such designated event (if applicable). No such make whole premium will be payable if the relevant designated event occurs after November 15, 2009. Our ability to repurchase your notes for cash upon the occurrence of a designated event in the future will be subject to the limitations imposed by our existing senior credit agreement and by any limitations we may have in any other credit agreements or indebtedness that we may incur in the future. Please read Description of Senior Secured Credit Agreement.
Make Whole Premium Upon a Designated Event	If certain designated events (as described under Description of the Notes Repurchase at Option of the Holder Upon a Designated Event and Description of the Notes Conversion of the Notes Conversion Upon Certain Designated Events) occur on or prior to November 15, 2009, we will pay a make whole premium on notes converted in connection with, or tendered for repurchase upon, such designated events (if applicable) as described above. The make whole premium will be payable solely in shares of our common stock (other than cash paid in lieu of fractional shares), or in the same form of consideration into which all or substantially all of our common stock has been converted in connection with such designated event (if applicable), and will be payable on the repurchase date for such designated event. The amount of the make whole premium, if any, will be based on the stock price and the effective date (as such terms are defined below under Description of the Notes Determination of the Make Whole Premium) for such designated event. A description of how the make whole premium will be determined and a table showing the make whole premium that would apply at various stock prices and designated event effective dates is set forth under Description of the Notes - Determination of the Make Whole Premium. No make whole premium will be paid if the relevant stock price is less than $30.41 per share or greater than $130 per share (subject to adjustment).
Use of Proceeds	We will not receive any proceeds from the sale by the selling securityholders of the notes or the common stock issuable upon conversion thereof, if any. Please read Use of Proceeds.
Events of Default	If an event of default on the notes has occurred and is continuing, the principal amount of the notes, plus any accrued and unpaid interest, including additional

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	amounts and, if applicable, the make whole premium, may be declared immediately due and payable. These amounts automatically become due and payable upon certain events of default. Please read Description of the Notes-Events of Default; Notice and Waiver.
Book-Entry Form	The notes were issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes are shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Listing and Trading	The notes sold in the initial placement to qualified institutional buyers trade on the Private Offerings, Resales and Trading through Automatic Linkages Market commonly referred to as the PORTAL Market^{SM}. The notes resold under this prospectus will no longer be eligible for trading on the PORTAL Market^{SM}. We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system.

For a more complete description of the terms of the notes, please read Description of the Notes on page 24. For a more complete description of our common stock, please read Description of Capital Stock on page 46.

Risk Factors

You should carefully consider all of the information contained or incorporated by reference in this prospectus prior to investing in the notes. In particular, we urge you to carefully consider the information under Risk Factors, beginning on page 9 of this prospectus, so that you understand the risks associated with an investment in our company and the notes.

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RISK FACTORS

You should carefully consider the specific risk factors set forth below as well as the other information contained or incorporated by reference in this prospectus before deciding to invest in the notes. Some factors in this section are forward-looking statements. For a discussion of those statements and of other factors for investors to consider, please read Forward-Looking Statements.

Risks Related To Our Business

Our businesses are cyclical, and we cannot predict the timing or severity of future economic or industry downturns.

The non-residential construction industry is highly sensitive to national and regional economic conditions. From time to time, it has been adversely affected in various parts of the country by unfavorable economic conditions, low use of manufacturing capacity, high vacancy rates, changes in tax laws affecting the real estate industry, high interest rates and the unavailability of financing. Sales of our products may be adversely affected by weakness in demand for our products within particular customer groups, or a recession in the general construction industry or particular geographic regions. We cannot predict the timing or severity of future economic or industry downturns. Any economic downturn, particularly in states where many of our sales are made, could have a material adverse effect on our results of operations and financial condition.

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

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

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

Our business is heavily dependent on the prices and supply of steel, which is the principal raw material used in our products. The steel industry is highly cyclical in nature, and steel prices have recently been volatile and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions, competition, labor costs, production costs, import duties and other trade restrictions. Beginning in our second fiscal quarter of 2004, there have been unusually rapid and significant pricing increases and severe shortages in the steel industry, due in part to increased demand from China s expanding economy and high energy prices. We do not have any long-term contracts for the purchase of steel and normally do not maintain an inventory of steel in excess of our current production requirements. However, during fiscal 2004, we made some purchases in advance of announced steel price increases. We can give you no assurance that steel will remain available or that prices will not continue to be volatile. While most of our contracts have escalation clauses that allow us, under certain circumstances, to pass along all or a portion of increases in the price of steel after the date of the contract but prior to delivery, we may, for competitive or other reasons, not be able to pass such price increases along. If the available supply of steel declines, we could experience price increases that we are not able to pass on to our customers, a deterioration of service from our suppliers or interruptions or delays that may cause us not to meet delivery schedules to our customers. Any of these problems could adversely affect our results of operations and financial condition.

We rely on two major suppliers for our supply of steel, and may be adversely affected by the bankruptcy, financial condition or other factors affecting those suppliers.

Our primary steel suppliers during fiscal 2003, Bethlehem Steel Corporation and National Steel Corporation, filed for protection under Federal bankruptcy laws in 2001 and 2002, respectively. During the third quarter of fiscal 2003, U.S. Steel bought substantially all of the integrated steel-making assets of National Steel, and International Steel Group, Inc. acquired the assets of Bethlehem Steel. During fiscal 2004, we purchased approximately 60% of our steel requirements from U.S. Steel and International Steel Group, Inc. Furthermore, a prolonged labor strike against one or more of our principal domestic suppliers could have a material adverse effect on our operations. If one or more of our current suppliers is unable for financial or any other reason to continue in business or to produce steel sufficient to meet our requirements, essential supply of our primary raw materials could be temporarily interrupted and adversely affect our business.

We are subject to preference claims by our former steel suppliers.

In late 2003 and early 2004, a number of lawsuits were filed against several of our operating subsidiaries by Bethlehem Steel Corporation and National Steel Corporation in their respective bankruptcy proceedings, seeking reimbursement of preferential transfers allegedly made by the respective debtors in the 90 day period preceding their bankruptcy filings. Bethlehem alleges it made preferential payments to our subsidiaries of approximately $7.7 million, while National claims preferential payments in the aggregate amount of $6.3 million. We deny the material allegations in the lawsuits and are vigorously defending against these claims. While we are not able to predict whether we will incur any liability or to accurately estimate the damages, or the range of damages, if any, we might incur in connection with these proceedings, it is possible that these lawsuits will adversely affect our business.

Failure to retain key personnel could hurt our operations.

Our success depends to a significant degree upon the efforts, contributions and abilities of our senior management, plant managers and other highly skilled personnel, including our sales executives. If we do not retain the services of our key personnel, such loss may adversely affect our customer relationships, results of operations and financial condition.

We incur costs to comply with environmental laws and have liabilities for environmental cleanups.

Because we have air emissions, we discharge wastewater, we own and operate real property, and we handle hazardous substances and solid waste, we incur costs and liabilities to comply with environmental laws and regulations and may incur significant additional costs as those laws and regulations change in the future or if there is an accidental release of hazardous substances into the environment. The operations of our manufacturing facilities are subject to stringent and complex federal, state and local environmental laws and regulations. These include, for example, (i) the federal Clean Air Act and comparable state laws and regulations that impose obligations related to air emissions, (ii) the federal Resource Conservation and Recovery Act, or RCRA, and comparable state laws that impose requirements for the discharge of waste from our facilities and (iii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, also known as Superfund, and comparable state laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or locations to which we have sent waste for disposal. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations.

Certain environmental statutes, including the Clean Air Act, RCRA, CERCLA and the federal Water Pollution Control Act of 1972, also known as the Clean Water Act, and analogous state laws and regulations, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed or otherwise released. CERCLA also provides for natural resource damages against responsible parties at these sites. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment. We at times incur costs and liabilities in our business due to the need to perform cleanups required in light of our operations or because of pre-existing contamination resulting from historical operations and waste disposal practices. For example, we are currently undertaking a remediation of subsurface contamination at our Metal Prep Houston site, located in an industrial area in Houston, Texas, where we have discovered the existence of polychlorinated biphenyls (PCBs) and heavy metals. This process could subject us to substantial liabilities arising from environmental cleanup and restoration costs. Based upon an analysis of projected remediation costs of the known contamination, we currently estimate that we will spend approximately $2.5 million to remediate this site. We may not be able to recover these costs from potential sources of indemnity. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase our compliance costs and the cost of any remediation that may become necessary. Please read Business Environmental Matters.

We believe our former president and CEO has started a business that will compete with us.

We believe that Johnie Schulte, our former President and CEO, has started a business that will compete with us in the Houston area in our metal components and engineered building systems business segments. Although we are

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challenging the actions of and have initiated legal action against Mr. Schulte based on a non-compete agreement, we may not be successful in such action. If Mr. Schulte is able to compete successfully against us, such competition could adversely affect us.

Our businesses are highly competitive.

Competition in the metal components and metal buildings markets of the building industry and in the metal coil coating industry is intense. It is based primarily on:

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

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

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

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

- variations in quarterly operating results;
- changes in earnings estimates by analysts;
- our announcements of significant contracts, acquisitions, strategic partnerships or joint ventures;
- general conditions in the metal components and engineered building systems industries;
- fluctuations in stock market price and volume; and
- other general economic conditions.

In recent years, the stock market in general has experienced extreme price and volume fluctuations that have affected the market price for many companies in industries similar to ours. Some of these fluctuations have been unrelated to the operating performance of the affected companies. These market fluctuations may decrease the market price of our common stock in the future.

Our acquisition strategy may be unsuccessful if we incorrectly predict operating results, are unable to identify and complete future acquisitions and integrate acquired assets or businesses, are unable to complete any such

acquisition within the time period permitted under our existing senior credit agreement or are unable to raise alternative financing on acceptable terms.

We have a history of expansion through acquisitions, and we believe that as our industry continues to consolidate, our future success will depend, in part, on our ability to complete acquisitions and effectively integrate the operations or management of acquired assets or businesses. Acquisitions present other risks and challenges, including the risk of incorrect assumptions regarding the future results of the acquired operations or expected cost

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reductions or other synergies expected to be realized as a result of acquiring such operations and diversion of management s attention from existing operations.

We regularly evaluate growth opportunities both through acquisitions and internal investment. At any given time, discussions with one or more potential sellers of businesses or assets may be at different stages. However, we can provide no assurance that we will be successful in identifying or completing any acquisitions or that any businesses or assets that we are able to acquire will be successfully integrated into our existing business. We cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the trading price of our common stock or the notes.

We expect to use a portion of the net proceeds from our offering of convertible notes in November 2004 to complete future acquisitions. To the extent we are unable to use the net proceeds from the convertible notes offering to complete such acquisitions within 12 months (and in certain circumstances, 18 months) of the closing date of the convertible notes offering or to repay indebtedness outstanding under our revolving credit facility that was incurred to finance permitted acquisitions, we will be required to use such net proceeds to prepay outstanding indebtedness under our senior credit agreement. In addition, if we are unable to use the net proceeds of the offering within the time periods described above, we may be unable to raise, on terms we find acceptable, any alternative debt or equity financing that may be required to complete any future contemplated acquisitions or that complies with the terms of our existing senior credit agreement.

We may not be able to service our debt.

In connection with our acquisition activity, especially the MBCI acquisition in 1998, we have incurred debt. We may also incur additional debt from time to time to finance additional acquisitions, capital expenditures or for other purposes if we comply with the restrictions in our senior credit agreement.

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

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

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

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

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

If we cannot service our debt, we will be forced to take actions such as reducing or delaying acquisitions and/or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We can give you no assurance that we can do any of these things on satisfactory terms or at all.

In addition, under the terms of our convertible senior subordinated notes, the net share settlement provision requires that we pay upon conversion the principal return in cash; provided, that we are in compliance with the financial covenants of our existing or future credit facilities. Assuming that we have enough cash to pay the principal return, we may be cash constrained as a result, and this could adversely affect our ability to service our debt, borrow money or conduct our operations. The conversion price of the notes is $40.14 and the market price condition that triggers holders conversion rights is pegged to a stock price of $48.17.

Restrictive covenants in our existing senior credit agreement may adversely affect us.

In June 2004, we entered into a $325 million senior secured credit agreement with a group of lenders. We must comply with operating and financing restrictions in that agreement. We may also have similar restrictions with any future debt. These restrictions affect, and in many respects limit or prohibit our ability to:

incur additional indebtedness;

make restricted payments, including dividends or other distributions;

incur liens;

make investments, including joint venture investments;

sell assets;

repurchase capital stock; and

merge or consolidate with or into other companies or sell substantially all our assets.

We are required to make mandatory prepayments on our existing senior credit agreement upon the occurrence of certain events, including the sale of assets and the issuance of debt or equity securities, in each case subject to certain limitations and conditions set forth in our existing senior credit agreement. Under the terms of our existing senior credit agreement, to the extent we do not use the proceeds of our November 2004 convertible notes offering to finance a permitted acquisition within 12 months (and in certain circumstances, 18 months) of the closing of the notes offering or to repay indebtedness outstanding under our revolving credit facility that was incurred to finance permitted acquisitions, we must apply the proceeds of the convertible notes offering to repay debt outstanding under our existing senior credit agreement. Our senior credit agreement also requires us to achieve specified financial and operating results and satisfy set financial tests relating to our consolidated net worth and our leverage, fixed charge coverage and senior debt ratios. These restrictions could limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise could restrict our activities. These restrictions could also adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that would be in our interest.

Risks Related to the Notes and our Common Stock

We may not have the funds necessary to repurchase the notes or pay the amounts due upon conversion of the notes when necessary, and our existing senior credit agreement contains limitations on our ability to pay the principal return in cash to holders of notes upon conversion or to repurchase the notes under certain circumstances.

Your ability to convert your notes into cash and shares of our common stock (if any) or to require us to repurchase your notes (either on November 15, 2009, November 15, 2014, November 15, 2019 or in connection with a designated event) is subject to limitations imposed by our existing senior credit agreement and by any limitations we may have in any other credit facilities or indebtedness we may incur in the future. Please read Description of Senior Secured Credit Agreement. Under our existing senior credit agreement, we are not permitted to pay the principal return in cash with respect to any conversion of notes, any repurchase of the notes at the option of the holder on November 15, 2009 or any repurchase upon the occurrence of a designated event unless:

there is no default or event of default under our existing senior credit agreement,

no default or event of default would result from our honoring such conversion or repurchase,

we are in compliance with certain financial covenants relating to our senior debt leverage ratio, and

in certain circumstances, certain threshold amounts are available for borrowing under our revolving credit facility.

So long as there is no default or event of default under our existing senior credit agreement, and no default or event of default would result from our repurchasing your notes and paying the related repurchase price in cash or from our paying you the principal return in cash upon conversion of your notes, we will be permitted to make such cash payments to you upon conversion, or in respect of our obligation to repurchase your notes on or after November 15, 2009 if required to do so, provided that these payments will be permitted only to the extent we can demonstrate either (i)(A) that the Senior Leverage Ratio, as defined in our senior credit agreement, is less than (x) with respect to payments made on or prior to April 30, 2008, 3.00 to 1.00 and (y) with respect to payments made after April 30, 2008, 2.75 to 1.00, in each case on a pro forma basis after giving effect to such payments and (B) availability under the revolving credit facility of at least $25 million after giving effect to such payment or (ii) that the Senior Leverage Ratio, as defined in our senior credit agreement, is less than 1.0 to 1.0. Please read Description of Senior Secured Credit Agreement. As of January 31, 2005, we were in compliance with these requirements and would have been permitted to pay the principal return in cash with respect to any conversion of notes and to repurchase your notes if required to do so under the indenture. However, in order for us to be able to pay the principal return in cash with respect to any conversion of notes and to repurchase your notes when required to do so under the indenture, we will need to continue to comply with the limitations set forth in our existing senior credit agreement.

In addition, our ability to repurchase the notes or pay the principal return in cash with respect to any conversion of notes may be limited by law, by the indenture, by the terms of other agreements relating to our senior debt and by indebtedness and agreements that we may enter into in the future that may replace, supplement or amend our existing or future debt. If you were to require us to repurchase your notes, including following a designated event when we are prohibited from repurchasing or redeeming the notes, we could seek the consent of lenders to repurchase the notes or could attempt to refinance the borrowings that contain this prohibition. If we do not obtain a consent or refinance these borrowings, we could remain prohibited from repurchasing the notes. In addition, we could seek to obtain third-party financing to pay for any amounts due in cash upon conversion, but we cannot be sure that such third-party financing will be available on commercially reasonable terms, if at all. Our failure to repurchase the notes or pay the principal return in cash upon conversion would also constitute an event of default under the indenture under which we will issue the notes, which might constitute a default under the terms of our other indebtedness at that time.

Finally, we might not have sufficient funds available to repurchase the notes or pay the principal return in cash upon conversion of the notes.

The notes are unsecured senior subordinated obligations, and holders of senior indebtedness will be paid before holders of the notes are paid.

The notes are unsecured and subordinated in right of payment to all of our existing and future senior indebtedness. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the notes due to an event of default under the indenture and in certain other events, our assets will be available to pay obligations on the notes only after all senior indebtedness has been paid. As a result, there may not be sufficient assets remaining to pay amounts due on any or all of the outstanding notes. If we fail to pay any of our senior indebtedness, we may make payments on the notes only if we cure the default or the holders of the senior indebtedness waive the default. Moreover, if any non-payment default exists under our designated senior indebtedness, we may not make any cash payments on the notes for a period of up to 179 days in any 365 day period, unless we cure the default, the holders of the designated senior indebtedness waive the default or rescind acceleration of the indebtedness or we repay the indebtedness in full. Please read Description of the Notes-Subordination of the Notes.

The notes also are effectively subordinated to the liabilities, including trade payables, of our subsidiaries. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. These subsidiaries may incur additional debt and liabilities in the future. As of October 30, 2004, we and our subsidiaries had approximately $216.7 million of outstanding senior indebtedness (including secured indebtedness under our senior credit agreement) and other liabilities, including trade payables, to which the notes would be subordinated or effectively subordinated.

A substantial portion of our operations are conducted through our direct and indirect subsidiaries, and we will depend on distributions from our operating subsidiaries to make payments on the notes. Contractual or legal restrictions applicable to our subsidiaries could limit distributions from them.

Substantially all our operations are conducted through subsidiaries, and we derive substantially all our operating income and cash flow from these subsidiaries. As a result, we depend on distributions or advances from our subsidiaries to meet our debt service obligations. In general, these subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. If existing or future contractual provisions or laws, or our subsidiaries financial condition and operating requirements, limit the ability of our subsidiaries to provide us the cash that we require to pay our debt service obligations, our ability to make payments on the notes could be impaired. Most of our subsidiaries are guarantors under our existing senior credit agreement.

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There are no restrictive covenants in the indenture for the notes relating to our ability to incur future indebtedness or complete other transactions. The indebtedness created by this offering, and any future indebtedness, could adversely affect our business and our ability to make full payment on the notes and may restrict our operating flexibility.

The indenture governing the notes does not:

require us to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity and, therefore, does not prote