GIBRALTAR INDUSTRIES, INC.
Form DEF 14A
April 02, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12

Gibraltar Industries, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 2, 2013

To My Fellow Stockholders:

It is my pleasure to invite you to attend the 2013 Annual Meeting of Stockholders of Gibraltar Industries, Inc. to be held on Thursday, May 2, 2013 at 11:00 A.M. local time at the Gateway Building in Buffalo, New York. The meeting will begin with discussion of and voting on the matters described in the attached Notice of Annual Meeting of Stockholders and Proxy Statement, followed by my report on our Company s financial performance and operations.

The Proxy Statement is critical to our corporate governance process and to affirming the direction of our Company. The Proxy Statement provides you with important information about our Board of Directors and executive officers, and informs you of steps we are taking to fulfill our responsibilities to you as a stockholder. Over the past three years, our Company made important changes to our compensation and corporate governance policies:

- Adopted a majority vote standard in the election of directors which contains a director resignation policy and a carve-out to provide for plurality voting in the event of a contested director election.

- Appointed a Lead Independent Director who chairs all meetings of the Board in the absence of the Chairman, chairs all executive sessions of the Board s independent members, and acts as principal liaison between the independent members of the Board and the Chairman and Chief Executive Officer of the Company.

- Renegotiated the change in control agreements with our Chief Executive Officer and Chief Operating Officer to remove the single trigger payment provisions and implement double trigger payment provisions.

- Committed to not enter into any new or materially amend existing employment or other agreements that provide for tax gross-ups.

- Amended our Executive Stock Ownership Policy to require the Chief Executive Officer to hold shares of Company common stock having a value equal to or greater than 300% of the Chief Executive Officer s base salary.

- Amended our Corporate Governance Guidelines to include a Clawback Provision related to incentive based compensation for our executive officers.

- Amended our By-laws to provide stockholders with the right to call special meetings.

- Amended our Certificate of Incorporation to allow stockholders to act by written consent.

We also use the Proxy Statement to discuss the proposals that require your vote and to solicit your vote if you cannot attend the Annual Meeting in person. Your vote is important to us and we encourage you to vote promptly. Please note your broker cannot vote on all of the proposals without your instruction. If you do not plan to attend the Annual Meeting in person, please inform us, or your broker, as to how you would like us to vote your shares on the proposals set forth in the Proxy Statement.

The Proxy Statement includes a description of each proposal. Our Board of Directors recommends that stockholders vote FOR all proposals. Please read each proposal carefully and study the recommendations of the Board of Directors and its committees.

On behalf of our management team and our Board of Directors, I want to thank you for your continued support and confidence in our company.

Sincerely,

Brian J. Lipke

Chairman of the Board and Chief Executive Officer

YOUR VOTE IS MORE IMPORTANT THAN EVER.

PLEASE REVIEW THE ATTACHED MATERIALS AND SUBMIT YOUR VOTE PROMPTLY.

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GIBRALTAR INDUSTRIES, INC.

3556 Lake Shore Road

PO Box 2028

Buffalo, New York 14219-0228

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 2, 2013

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Gibraltar Industries, Inc., a Delaware corporation (the Company), will be held at the Gateway Building, 3556 Lake Shore Road, Buffalo, New York, on Thursday, May 2, 2013, at 11:00 a.m., local time, for the following purposes:

1. Elect two Class II Directors to hold office until the 2016 Annual Meeting and until their successors have been elected and qualified.

2. Advisory approval of the Company s executive compensation (the Say-on-Pay vote).

3. Approval of the material terms of the Company s annual grant of Performance Share Units under the Amended and Restated Gibraltar Industries, Inc. 2005 Equity Incentive Plan to enable the Company to deduct the related compensation for federal income tax purposes without being subject to limitations.

4. To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2013.

5. To take action upon and transact such other business as may be properly brought before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on March 19, 2013, as the record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting.

Stockholders who do not expect to attend the meeting in person are urged to vote, sign, and date the enclosed proxy and return it promptly in the envelope enclosed for that purpose. Returning the proxy card does not deprive you of your right to attend the Annual Meeting and to vote your shares in person for matters acted upon at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting: the Definitive Proxy Statement and the Annual Report on Form 10-K are available at www.proxyvote.com.

BY ORDER OF THE BOARD OF DIRECTORS

Timothy F. Murphy

Secretary

Buffalo, New York

April 2, 2013

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3556 Lake Shore Road

PO Box 2028

Buffalo, New York 14219-0228

DEFINITIVE PROXY STATEMENT

April 2, 2013

Date, Time, and Place of Annual Meeting

This Definitive Proxy Statement and the accompanying form of proxy are being furnished in connection with the solicitation by the Board of Directors of Gibraltar Industries, Inc., a Delaware corporation (the Company), of proxies to be voted at the Annual Meeting of Stockholders to be held at the Gateway Building, 3556 Lake Shore Road, Buffalo, New York, on May 2, 2013 at 11:00 a.m., local time, and at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Board of Directors has fixed the close of business on March 19, 2013, as the record date for the determination of stockholders entitled to receive notice of and to vote at the meeting. At the close of business on March 19, 2013, the Company had outstanding and entitled to vote at the Annual Meeting 30,667,149 shares of common stock, $0.01 par value per share (Common Stock). Each share is entitled to one vote on each matter properly brought before the Annual Meeting. This Definitive Proxy Statement and the accompanying form of proxy will first be sent or given to stockholders on or about April 2, 2013.

Record Date and Related Information

The cost of the solicitation of proxies in the accompanying form will be borne by the Company, including expenses in connection with preparing and mailing this Definitive Proxy Statement. In addition to the use of the mail, proxies may be solicited by personal interviews and by telephone by directors, officers, employees, and proxy solicitors. We have retained Alliance Advisors, LLC (Alliance) to act as a proxy solicitor in conjunction with the annual meeting. We have agreed to pay Alliance $12,500, plus reasonable out-of-pocket expenses, for proxy solicitation services. Arrangements will be made with brokerage houses, banks and other custodians, nominees, and fiduciaries for the forwarding of solicitation material to the beneficial owners of Common Stock, and the Company will reimburse them for reasonable out-of-pocket expenses incurred in connection therewith.

If the enclosed proxy is properly executed, returned, and received in time for the Annual Meeting, the shares represented thereby will be voted in accordance with the specifications, if any, made on the proxy card. If no specification is made, the proxies will be voted as recommended by the Board of Directors FOR the nominees for directors named in this Definitive Proxy Statement, FOR the approval, on an advisory basis, of the compensation of the Company s named executive officers as set forth in this Definitive Proxy Statement (the Say-on-Pay vote), FOR the approval of the material terms of the annual Performance Stock Unit grant, and FOR the ratification of Ernst & Young LLP as the Company s independent registered public accounting firm for the year ending December 31, 2013.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting will constitute a quorum. Each proposal submitted to the stockholders requires the affirmative vote of holders of a majority of the shares present at the meeting, in person or by proxy, entitled to vote assuming a quorum is present or represented at the meeting. If a stockholder specifies an abstention from voting on a proposal, such shares are considered present at the meeting for such proposal but, since they are not affirmative votes for the proposal, they will have the same effect as votes against the proposal.

Your shares may be voted if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority to vote shares on certain routine matters for which their customers do not provide voting instructions by the tenth day before the meeting. The ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the year ending December 31, 2013 is the only stockholder proposal considered a routine matter.

The election of directors and votes on matters that relate to executive compensation, such as the Say-on-Pay vote, are not considered routine. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial holder of the shares with respect to that proposal, the brokerage firm CANNOT vote the shares on that proposal. This is called a broker non-vote. In tabulating the voting result for any particular proposal, shares that are subject to broker non-votes with respect to that proposal will not be considered votes cast either for or against the proposal. It is very important that you cast your vote if you want your shares to be represented at the Annual Meeting.

Nominees for the election of directors must receive more for than against votes to be elected. If a director does not receive a majority of the votes cast, the director is required to tender his or her resignation to the Board of Directors. The Nominating and Corporate Governance Committee will make a recommendation to the Board of Directors on whether to accept or reject the resignation, or whether other action should be taken. The Board of Directors will act on the recommendation and publicly disclose its decision and rationale behind it within 90 days of the date election results are certified.

Revocability of Proxy

The execution of a proxy will not affect a stockholder s right to attend the Annual Meeting and to vote in person. A stockholder who executes a proxy may revoke it at any time before it is exercised by giving written notice to the Secretary, by appearing at the Annual Meeting and so stating, or by submitting another duly executed proxy bearing a later date.

PROPOSAL 1

ELECTION OF DIRECTORS

The Certificate of Incorporation of the Company provides that the Board of Directors shall consist of not less than three nor more than fifteen directors who shall be divided into three classes, with the term of one class expiring each year. The Board of Directors is presently comprised of seven members: William J. Colombo and Gerald S. Lippes, Class II Directors whose terms expire in 2013, Brian J. Lipke, William P. Montague, and Arthur A. Russ, Jr., Class I Directors whose terms expire in 2014, and David N. Campbell and Robert E. Sadler, Jr., Class III Directors whose terms expire in 2015. At the Annual Meeting of Stockholders in 2013, two Class II Directors shall be elected to hold office for a term expiring in 2016. William J. Colombo and Gerald S. Lippes have been nominated by the Board of Directors for election as such Class II Directors. Mr. Colombo is an independent director under the independence standards provided by Rule 5605(a)(2) of the NASDAQ listing standards.

Unless instructions to the contrary are received, it is intended that the shares represented by proxies will be voted for the election of William J. Colombo and Gerald S. Lippes as directors. Messrs. Colombo and Lippes have been directors of the Company since 2003 and 1993, respectively, and have been previously elected by the Company s stockholders. If Messrs. Colombo and Lippes become unavailable for election for any reason, it is intended that the shares represented by the proxies solicited herewith will be voted for such other person or persons as the Board of Directors shall designate. Each of Messrs. Colombo and Lippes has consented to being named in this Definitive Proxy Statement and to serve if elected to office.

The following information is provided concerning the directors and the nominees for election as Class II Directors:

William J. Colombo has served as a director of the Company since his appointment by the Board of Directors in August 2003. He served as Chief Operating Officer and Executive Vice President of Dick s Sporting Goods, Inc. (Dick s) from 1995 to 1998 and as President of dsports.com LLC, the Internet commerce subsidiary of Dick s from 1998 to 2000. From 2002 through February 2008, Mr. Colombo served as President, Chief Operating Officer, and a Director of Dick s. Mr. Colombo currently serves as Vice Chairman of the Board of Dick s. Mr. Colombo s qualification to serve on the Company s Board includes his ability to provide the perspective of an executive and board member of a large, public company and national retailer that is similar to some of the Company s largest customers.

Gerald S. Lippes has served as a director of the Company since 1993 and was Secretary of the Company in 2002 and 2003. He has been engaged in the private practice of law since 1965 and is a partner in the firm of Lippes Mathias Wexler Friedman LLP, located in Buffalo, New York. Mr. Lippes is also a director of several private companies. Mr. Lippes s qualifications to serve on the Company s Board include his more-than 45 years of legal experience representing large businesses in corporate matters, securities, and other financial transactions, which enables him to provide insights on a broad range of corporate governance, securities, transactional, and management issues the Company faces.

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The following information is provided concerning the Company s Class I and III directors who are not standing for election during the 2013 Annual Meeting of Stockholders:

Brian J. Lipke has been Chairman of the Board since 1992, Chief Executive Officer since 1987, and a director of the Company since its formation. He also served as President of the Company through 1999. From 1972 to 1987, Mr. Lipke held various positions with the Company in production, purchasing, and divisional management. He is also a director and member of the Compensation Committee of both Merchants Mutual Insurance Company and Moog Inc. Mr. Lipke s qualifications to serve on the Company s Board include his demonstrated leadership skills and extensive operating and executive experience acquired over his career with the Company. He has extensive experience in driving operational excellence, targeting growth opportunities, and attaining financial objectives under a variety of economic and competitive conditions. These experiences are valuable to the Company which strives for excellence, has grown historically through acquisitions, as well as internally, and regularly faces diverse and often challenging economic and competitive conditions.

William P. Montague has served as a director of the Company since the consummation of the Company s initial public offering in 1993. He served as Executive Vice President and Chief Financial Officer of Mark IV Industries, Inc. (Mark IV), a manufacturer of engineered systems and components from 1986 to 1996, as Mark IV s President and a Director from 1996 through 2004, and as Chief Executive Officer and a Director of Mark IV from 2004 to 2008. In April 2009, subsequent to Mr. Montague s retirement, Mark IV filed for bankruptcy protection. Mr. Montague also serves on the Board of Directors of Endo Health Solutions, Inc., Allied Motion Technologies, Inc., and a private company, International Imaging Materials, Inc (IIMAK). He participates on the compensation committee of IIMAK. Mr. Montague s qualifications to serve on the Company s Board include his ability to offer the perspectives of a former chief executive officer along with his extensive financial and accounting experience acquired during his career with Mark IV. His experience as a director, chief financial officer, and chief executive officer at another public company with complex capital resource requirements and diverse geographical operations similar to the Company provides significant value to the Board.

Arthur A. Russ, Jr. has served as a director of the Company since 1993. He was engaged in the private practice of law since 1969 and was a partner in the firm of Phillips Lytle LLP, located in Buffalo, New York until his retirement in December 2010. Mr. Russ is also a director of several private companies and nonprofit entities. Mr. Russ s qualifications to serve on the Company s Board include his legal expertise in the areas of corporations, taxation, securities, and general business and finance. He is able to provide the Board insights on a broad range of general business and financial issues as a result of his diverse legal and business experience.

David N. Campbell has served as a director of the Company since the consummation of the Company s initial public offering in 1993. He is Executive Director of All Hands Volunteers, Inc., a not-for-profit volunteer-based disaster response organization. He has also been a Managing Director of Innovation Advisors, a strategic advisory firm focused on merger and acquisition transactions in the information technology software and services industry, since November 2001. He served as President and Chief Executive Officer of Xpedior, a provider of information technology solutions, from 1999 to 2000. Prior to that he served as President of the GTE Technology Organization from 1997 to 1999 and from 1995 to 1999 he served as President of BBN Technologies, a business unit of GTE Corporation. From 1983 until 1994 he served as Chairman of the Board and Chief Executive Officer of Computer Task Group, Incorporated. During the past five years, Mr. Campbell also served on the Board of Directors of Tektronix Inc. (prior to its acquisition by Danaher Corporation). Mr. Campbell s qualifications to serve on the Company s Board include his ability to provide the perspective of a chief executive officer and director of public companies along with his leadership experience at organizations with international operations which the Company also has. In addition, he is qualified as an audit committee financial expert under the standards established by the Securities Exchange Act of 1934, as amended.

Robert E. Sadler, Jr. has served as a director of the Company since his appointment by the Board of Directors in 2004. He served as President of M&T Bank from 1996 to 2003, as Chairman of M&T Bank from 2003 to 2005, and from 2005 to 2007 as President and Chief Executive Officer of M&T Bank Corporation, one of the 20 largest banks in the U.S. Mr. Sadler continues to serve as a Director of both M&T Bank and M&T Bank Corporation. Mr. Sadler is also a director of several private companies, including Delaware North Companies, Inc. and Security Mutual Life Insurance Company of New York, serving both as a member of the compensation committee. Mr. Sadler s qualifications to serve on the Company s Board include his extensive experience as a financial services executive, particularly during his career with M&T Bank, which allows him to provide the Board with the perspective of lenders and investment bankers, which the Company deals with regularly. Other qualifications include his experience as a member of the board of directors of other large companies and his financial literacy.

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THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE

NOMINEES FOR CLASS II DIRECTORS IN PROPOSAL 1.

CORPORATE GOVERNANCE

The Board of Directors has adopted Corporate Governance Documents which set forth the practices the Board of Directors will follow with respect to various matters, such as director responsibilities, compensation, and access to management. The Corporate Governance Documents are posted on the corporate governance page of the Company s website at *www.gibraltar1.com* and are available in print to stockholders and other persons who request a copy.

Board of Directors Structure

The Board of Directors was comprised of seven directors during the year ended December 31, 2012 to carry out the activities of its committees and fulfill its responsibilities effectively.

The Company s Board of Directors has the authority and flexibility to select the appropriate leadership structure for the Company. The Board of Directors does not have a written policy as to whether the roles of Chairman of the Board and Chief Executive Officer should be separate or combined. However, the Company s Corporate Governance Documents provide for the position of Lead Independent Director, who among other things, chairs all meetings of the Board in the absence of the Chairman, chairs all executive sessions of the Board s independent members, and acts as principal liaison between the independent members of the Board and the Chairman and Chief Executive Officer of the Company. William P. Montague currently serves as the Lead Independent Director.

The Company s leadership structure has combined the positions of Chairman of the Board and Chief Executive Officer. Under the Company s Bylaws, the Chairman of the Board presides over meetings of the Board of Directors and meetings of the stockholders, while the Chief Executive Officer has general authority for strategic initiatives involving the business, affairs, and property of the Company, subject to the supervision and oversight of the Board.

The Board of Directors has adopted a number of measures to provide what it views as an appropriate balance between the respective needs for dependable strategic leadership by the Chairman of the Board and Chief Executive Officer and the oversight and objectivity of independent directors. For example, only one of the seven directors is a member of management and all of the Board s key committees the Audit Committee, Compensation Committee, and the Nominating and Corporate Governance Committee are comprised entirely of independent directors. All directors play an active role in overseeing the Company s business and have full and free access to members of management and the authority to retain independent financial, legal, or other advisors as they deem necessary without consulting or obtaining the approval of any member of management.

The Board of Directors believes that this leadership structure a combined Chairman of the Board and Chief Executive Officer with active and strong non-employee directors is the most effective structure for the Company at this time. Given the challenges that the Company faces in the current market environment and the Company s diverse operations, this leadership structure provides important benefits through effective internal and external communication of critical strategies and business priorities.

Board Oversight of Risk Management

The Board of Directors is actively engaged in the oversight of strategies adopted by management for addressing risks faced by the Company. These risks may arise in many different areas, including business strategy; financial condition; competition for talent; operational efficiency; quality assurance; environmental, health, and safety; supply chain management; reputation; customer spending patterns; and intellectual property, among many others. The Board of Directors believes that, in light of the interrelated nature of the Company s risks, oversight of risk management is ultimately the responsibility of the full Board and has not divided the responsibility for oversight of risk management among its committees. In carrying out this critical responsibility, the Board of Directors also receives quarterly reports on aspects of the Company s risk management from senior representatives of the Company s independent auditors.

Independence of Directors

The Board of Directors has determined that each of David N. Campbell, William J. Colombo, William P. Montague, Arthur A. Russ, Jr., and Robert E. Sadler, Jr. is an independent director as defined in Rule 5605(a)(2) of the NASDAQ listing standards, which the Board has adopted as the standards by which it will determine independence.

Board Committees and Other Matters

Our Board of Directors has three standing committees consisting of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Copies of the charters of these committees are available on the Company s website at www.gibraltar1.com. During the year ended December 31, 2012, the Board of Directors held eight meetings. Each director attended at least 75% of the aggregate number of meetings of the Board of Directors and committees on which he served during the period.

Audit Committee

The Audit Committee is comprised of Messrs. Campbell, Sadler, and Montague, each of whom is independent as required by the NASDAQ rules applicable to such Committee. The Audit Committee assists the Board of Directors in its oversight of matters relating to the financial reporting process, the system of internal accounting control and management of financial risks, the audit process, review and approval of related party transactions, compliance with laws and regulations, and the Company s code of business conduct. The Audit Committee held four meetings in 2012. The Board of Directors has made a determination that Mr. Campbell, an independent director, is an audit committee financial expert under the standards established by Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended. Mr. Campbell s business experience is set forth above under Election of Directors .

Compensation Committee

The Compensation Committee is composed of Messrs. Colombo, Montague, and Sadler, each of whom is independent as required by the rules of the NASDAQ as applicable to such Committee. The Compensation Committee held six meetings in 2012. The Compensation Committee acts in accordance with its charter to approve the structure and design of the compensation programs in effect for executive officers and directors of the Company. The Compensation Committee meets in executive session to determine and approve the compensation package provided to the executive officers. The Compensation Committee is responsible for ensuring the decisions regarding compensation are in line with market conditions and enhance the Company s ability to attract, retain, and motivate highly qualified individuals to serve as executive officers and directors. To fulfill its responsibilities, the Compensation Committee employs a nationally recognized compensation consultant, Towers Watson, to perform market studies of compensation programs offered by a peer group of companies. The Compensation Committee works with Towers Watson and the Company s executive management team to make final decisions regarding the design of the programs used to compensate the Company s executive officers and directors in a manner which is consistent with the Company s compensation objectives. The Compensation Committee is also responsible for the administration of the Company s cash and equity-based incentive compensation plans and authorization of grants of equity-based awards pursuant to such plans.

Compensation Committee Interlocks and Insider Participation

During 2012, Messrs. Colombo, Montague, and Sadler served as members of the Compensation Committee. None of Mr. Colombo, Mr. Montague, or Mr. Sadler was an executive officer or employee of the Company or any of its subsidiaries during 2012 or prior thereto. In 2012, none of the executive officers of the Company or members of the Compensation Committee served on the compensation committee or on any other committee performing similar functions for any other entity s board of directors, any of whose officers or directors served on the Company s Board of Directors or Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is comprised of Messrs. Campbell, Colombo, and Montague, each of whom is independent as required by the NASDAQ rules as applicable to such Committee. The purpose of the Nominating and Corporate Governance Committee is to identify and nominate individuals qualified to become Board and committee members, to establish and implement policies and procedures relating to the nominations of qualified candidates, to develop and recommend to the Board a set of corporate governance guidelines for the Company, and to oversee, review and make periodic recommendations to the Board concerning the Company s corporate governance guidelines and policies. The Nominating and Corporate Governance Committee held two meetings in 2012. The current nominees for director were recommended for election to the Board at a meeting of the Nominating and Corporate Governance Committee held March 7, 2013. Mr. Colombo did not participate in the recommendation that he be nominated for election to the Board.

When a Board vacancy arises, the Committee seeks to identify candidates for nomination who are highly qualified, willing to serve as a member of the Company s Board, and will be able to serve the best interests of all stockholders. The Committee believes that, given the size and complexity of the Company s operations, the best interests of the Company s stockholders will be served by a Board which is composed of individuals with a wide variety of business experience. Accordingly, the Committee seeks to identify candidates for nomination who will contribute to the diversity of business perspectives present in Board deliberations. During the nomination process, the Committee considers whether the Board s composition reflects an appropriately diverse mix of skills and experience, in relation to the needs of the Company.

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Stockholder Recommendations of Nominees

The Company has adopted a policy regarding stockholder recommendations to the Nominating and Corporate Governance Committee of nominees for director. A stockholder may recommend a nominee for consideration by the Nominating and Corporate Governance Committee by sending a recommendation, in writing, to the Secretary of the Company or any member of the Nominating and Corporate Governance Committee, together with such supporting material as the stockholder deems appropriate. Any person recommended by a stockholder in accordance with this policy will be considered by the Nominating and Corporate Governance Committee in the same manner and by the same criteria as other potential nominees. The Nominating and Corporate Governance Committee did not receive any nomination recommendations from stockholders during 2012.

Communication with the Board of Directors

The Board of Directors has established a policy with respect to stockholder communication with the directors. Stockholders may send communications to the Board of Directors in care of the Secretary of the Company at its headquarters located at 3556 Lake Shore Road, PO Box 2028, Buffalo, NY 14219-0228. All mail will be opened and logged. All communication, other than trivial communication or obscene material, will be forwarded promptly to the Directors. Trivial material will be delivered at the next meeting of the Board of Directors. Mail addressed to a particular member of the Board of Directors will be forwarded to that member. Mail addressed to Outside Directors or Non-Management Directors or similar addressees will be sent to the chairman of the Audit Committee.

The Company does not have a policy regarding director attendance at the annual meeting. Last year s annual meeting was attended by David N. Campbell, William J. Colombo, Brian J. Lipke, Gerald S. Lippes, William P. Montague, Arthur A. Russ, Jr., and Robert E. Sadler, Jr. constituting the entire Board of Directors.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Directors and Executive Officers

The following table sets forth certain information regarding the Directors and executive officers of the Company as of March 19, 2013:

Name	Age	Position(s) Held
Brian J. Lipke	61	Chairman of the Board and Chief Executive Officer
Henning N. Kornbrekke	68	President and Chief Operating Officer
Kenneth W. Smith	62	Senior Vice President and Chief Financial Officer
Paul M. Murray	60	Senior Vice President of Human Resources and Organizational Development
Timothy F. Murphy	49	Secretary and Vice President of Treasury, Tax, and Risk
David N. Campbell	71	Director
William J. Colombo	57	Director
Gerald S. Lippes	73	Director
William P. Montague	66	Director
Arthur A. Russ, Jr.	70	Director
Robert E. Sadler, Jr.	67	Director

The recent business experience of the directors is set forth above under Election of Directors. The recent business experience of the executive officers who are not also directors is as follows:

Henning N. Kornbrekke has served as President and Chief Operating Officer of the Company since 2004. Mr. Kornbrekke served as Vice President of the Company and President of its Building Products Group from 2002 to 2004. Prior thereto, Mr. Kornbrekke served as the Chief Executive Officer of a division of Rexam, PLC and before that as President and General Manager of the hardware division of the Stanley Works. Mr. Kornbrekke also serves as a director of a private company.

Kenneth W. Smith has been Senior Vice President and Chief Financial Officer of the Company since joining the Company in 2008. Prior thereto, he served as Chief Financial Officer of Circor International, a global manufacturer of flow control components from 2000 through 2008, for the period from 1996 to 2000 he served as Vice President of Finance for North Safety Products, a manufacturer of personal protection equipment for employees of industrial companies, and before that as Finance Director of Digital Equipment Corporation, a manufacturer of computer hardware and software and a provider of integration services.

Paul M. Murray has been Senior Vice President of Human Resources and Organizational Development of the Company since 2004 and was Vice President of Administration from 1997 to 2004. Prior thereto, Mr. Murray held Human Resource management positions at The Sherwin Williams Company and Pratt & Lambert.

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Timothy F. Murphy was appointed Secretary and Vice President of Treasury, Tax, and Risk in March 2012. Mr. Murphy served as the Company s Vice President of Treasury Operations since 2010, as the Company s Director of Treasury Operations from 2008 to 2010 and as the Company s Director of Financial Reporting from 2004 to 2008. Prior to joining the Company, Mr. Murphy served a variety of roles at KPMG from 1996 to 2004 including Audit Senior Manager.

COMPENSATION OF DIRECTORS

Towers Watson, a nationally recognized compensation consultant, provides survey information and advice to the Compensation Committee with respect to compensation related matters. Towers Watson provided the Compensation Committee survey data and other publicly available information relating to non-employee director compensation for a peer group of companies. The peer group of companies used for this purpose by Towers Watson included A.O. Smith Corporation, Actuant Corporation, Albany International, Barnes Group, Builders FirstSource, Carpenter Technology, EnPro Industries, Graco Inc., Griffon Corporation, John Bean Technologies, Quanex Building Products, Standex International, Tennant Company, and Tredegar Corporation.

Using this information, the Compensation Committee approved a compensation program for non-employee directors consisting of an annual retainer of $30,000 per year, an additional $5,000 retainer for the Lead Independent Director, meeting fees of $2,000 for each meeting of the Board of Directors or committee meeting attended, and an additional fee to the Chairmen of the Compensation Committee, the Nominating and Corporate Governance Committee, and the Audit Committee of $5,000 per year, respectively, for serving as Chairman. The Board increased the annual retainer from $24,000 to $30,000 beginning in 2012 in response to the peer study noted above.

In addition, in the Board of Directors, in consultation with the Compensation Committee, approved annual grants of restricted stock to non-employee directors in the amount of $22,000. Restrictions on these shares of restricted stock expire three years following the grant date. Pursuant to this approval, in May 2012, each non-employee director received awards of 1,855 shares of restricted stock. The amount of restricted stock issued to our directors was changed from 1,000 shares to a number of shares equal to $22,000 to align with best practices as noted in the peer study described above. Non-employee directors will receive restricted stock awards in the amount of $37,000 and $52,000 during 2013 and 2014, respectively, and will continue to receive annual stock awards equal to $52,000 thereafter. These changes will be made to align the compensation of our directors with compensation paid to directors of our peer group.

Our Management Stock Purchase Plan (MSPP) permits non-employee directors to defer their receipt of payment of a portion of their retainer, chair, and meeting fees to an account established for the director and credited with restricted stock units equal in number to the number of shares of the Company s stock which could have been purchased using the amount of director fees deferred (see the discussion of the MSPP under the caption *Non-Qualified Deferred Compensation* in the Compensation Discussion and Analysis below). The Company allocates additional restricted stock units to the accounts of non-employee directors who defer the receipt of retainer fees to match the amount of restricted stock units allocated to reflect deferred retainer fees of non-employee directors.

2012 Director Compensation

Name	Fees Earned Or Paid in Cash (1)	Stock Awards (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (3)	Total
David N. Campbell	$ 61,000	$ 22,000	$ 69,997	$ 152,997
William J. Colombo	$ 71,000	$ 22,000	$ 56,729	$ 149,729
Gerald S. Lippes	$ 54,000	$ 22,000	$ 68,280	$ 144,280
William P. Montague	$ 81,000	$ 22,000	$ 25,651	$ 128,651
Arthur A. Russ, Jr.	$ 54,000	$ 22,000	$ 66,993	$ 142,993
Robert E. Sadler, Jr.	$ 64,000	$ 22,000	$ 41,594	$ 127,594

(1) Consists of annual retainer fees of $30,000; $5,000 for each of Messrs. Campbell, Montague, and Colombo, to reflect their respective positions as Chairman of the Audit Committee, Chairman of the Nominating and Corporate Governance Committee, and Chairman of the Compensation Committee; $5,000 for Mr. Montague to reflect his position as Lead Independent Director; and additional fees of $2,000 for attendance at each meeting of the Board of Directors and any committee. Messrs. Campbell,

Lippes, Russ, and Sadler deferred all of their fees into the MSPP. Mr. Colombo deferred portions of his fees into the MSPP.

(2) This column represents the grant-date fair value of restricted stock granted in 2012. The fair value of restricted stock is calculated using the closing price of Gibraltar Industries, Inc. common stock on the date of grant.

(3) This column represents the Company match on the deferred retainer and the earnings or losses on the deferred fees in each respective director s account under the MSPP.

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Outstanding Equity Awards at Fiscal Year End

The following chart summarizes the aggregate number of stock awards outstanding at December 31, 2012 for each director:

Name	Restricted Shares (1)	Restricted Stock Units (RSUs) (2)	Aggregated Number Of Stock Awards Outstanding
David N. Campbell	5,855	37,987	43,842
William J. Colombo	9,855	24,337	34,192
Gerald S. Lippes	5,855	36,247	42,102
William P. Montague	5,855	22,305	28,160
Arthur A. Russ, Jr.	5,855	35,129	40,984
Robert E. Sadler, Jr.	9,855	13,855	23,710

(1) Restricted shares generally vest over three years. Messrs. Campbell, Lippes, Montague, and Russ hold 2,000 restricted shares and Messrs. Colombo and Sadler hold 6,000 restricted shares that will vest upon retirement from the Board.

(2) Represents RSUs deferred in the MSPP that will be converted to cash and paid out over five years upon retirement from the Board. Includes 11,159 unvested RSUs for the benefit of Mr. Colombo that will be forfeited if his service as a member of the Company s Board of Directors is terminated prior to age sixty (60).

PROPOSAL TWO

ADVISORY VOTE ON EXECUTIVE COMPENSATION (SAY-ON-PAY)

We are providing our stockholders with the opportunity to cast an advisory vote to approve the compensation of our named executive officers as described in this Definitive Proxy Statement (commonly referred to as the Say-on-Pay vote). The Say-on-Pay vote is advisory and therefore not binding on the Company or the Board of Directors. However, the outcome of the vote will provide information to the Company and the Board of Directors regarding stockholder sentiment about our compensation policies and procedures, which the Compensation Committee will carefully review and consider when making future decisions regarding the compensation of our executive officers. Stockholders are encouraged to read the section entitled Compensation Discussion and Analysis , which describes how our compensation policies and procedures implement our compensation philosophy.

We believe the Say-on-Pay vote represents an additional means by which we may obtain important feedback from our stockholders about compensation for our executive officers, which is established by the Compensation Committee and designed to link pay with performance while enabling the Company to attract and retain qualified talent on the executive management team.

As set forth in the section entitled Compensation Discussion and Analysis , the overall objective of our executive compensation program is to attract, retain, and motivate highly qualified individuals to serve as our executive officers and to align the financial interests of our executive officers with those of our stockholders. To meet this objective, the Compensation Committee has designed a compensation program for our executive officers that focuses on performance and long-term incentives. A significant portion of an executive officer s overall compensation is performance-based, in that it depends on the achievement of both short and long-term financial goals and strategic objectives. Incentive compensation represented 68% and 49% of the Chief Executive Officer s and other named executive officers target compensation opportunity, respectively. We believe that this emphasis on both short and long-term financial performance aligns executives and stockholders interests. The Compensation Committee believes that the executive compensation program is strongly aligned with the long-term interests of our stockholders and is effective in implementing our compensation philosophy and in achieving our strategic goals.

The Say-on-Pay vote gives you, as a stockholder, the opportunity to provide feedback on our executive compensation program by voting for or against the following resolution:

RESOLVED, that the stockholders of Gibraltar Industries, Inc. (the Company) approve, on an advisory basis, the compensation of the Company s named executive officers, as disclosed in this Definitive Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the summary compensation table, and other related tables and disclosure.

The Board urges stockholders to endorse the executive compensation program by voting in favor of this resolution. As set forth in the Compensation Discussion and Analysis, the Compensation Committee is of the view that the executive compensation for 2012 was reasonable and appropriate, justified by the performance of the Company in an extremely difficult and challenging environment, and the result of a carefully considered approach.

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Although the Say-on-Pay vote is non-binding, the Board of Directors and Compensation Committee will carefully review the outcome of the vote. The Compensation Committee will consider the outcome of the Say-on-Pay vote, as well as other communication from stockholders relating to our compensation practices, and take them into account in future determinations concerning our executive compensation program.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ADVISORY APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS DEFINITIVE PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC IN PROPOSAL 2.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Our executive compensation program aims to encourage the creation of sustainable, long-term stockholder value and alignment of the interests of senior management with those of our stockholders. This section provides the Company s stockholders with information about the compensation awarded to our executive officers whose names appear in the Summary Compensation Table (NEOs) and demonstrates how the program delivers on that objective. It further illustrates the considerations the Compensation Committee has used and will use in establishing the Company s compensation philosophy, overseeing the policies that result from that philosophy, and making decisions with respect to those policies, including changes to the policies when warranted.

Our pay-for-performance compensation philosophy can only be understood in the context of the financial achievements of the Company in 2012 as outlined below. We have also highlighted several changes to our executive officers compensation program which emphasize our commitment to our stockholders.

2012 Business Results

Despite a challenging economic and industry environment, we achieved several significant business and financial results in 2012:

- Increased diluted earnings per share from continuing operations by 37% to $0.41 in 2012 compared to $0.30 in 2011. A 3% growth in net sales and an increased operating margin to 5.1% compared to 4.7% in the previous year provided the improved earnings per share performance.

- Maintained our days of working capital at 65 days during 2012 compared to 63 days at the end of 2011. Our investment in enterprise resource planning systems and commitment to restructuring the business allowed us to sustain our improved working capital management despite acquiring businesses that require greater working capital investments.

- Generated $50 million of operating cash flows from continuing operations, or 6.4% of net sales, despite historically low levels of end market demand. Housing starts in the United States were 781,000 units during 2012 compared to historical averages approximating 1.5 million housing starts. Housing starts are only one economic indicator for the markets we serve, but other end markets we serve, including residential repair and remodel, non-residential construction, and industrial, yielded similar trends in demand during 2012.

Significant Executive Compensation Actions

During 2012, our annual incentive compensation plan yielded a payout equal to 106.7% of target based on the strong financial performance highlighted above. Our Chairman and Chief Executive Officer (CEO) and President and Chief Operating Officer (COO) did not receive a base pay adjustment and the other NEOs received moderate adjustments based on the modest improvements in the business we expected to achieve during 2012. Beginning in 2012, our CEO will only receive performance-based equity awards and will no longer receive any time-based equity compensation. The net effect of these steps in improving our pay-for-performance philosophy is that our CEO s realizable pay was 59% of his targeted pay for the year. Resulting in CEO compensation at the 33rd percentile when compared to our peer group while performance on five of six key financial measures was at or above median.

Our Company continues to be committed to a strong pay-for-performance philosophy that meets the highest industry standards. During 2012, our Company took significant compensation and corporate governance actions:

Contacted a group of our largest shareholders to gain feedback regarding our executive compensation policies. These suggestions were considered when the Compensation Committee conducted its annual review of our compensation programs.

Based on stockholder feedback, amended the peer group we measure our executive compensation against. Peer companies now consist of fellow building products businesses of similar size to Gibraltar.

Amended our Corporate Governance Guidelines to include a Clawback Provision related to incentive based compensation for our executive officers.

To increase our pay-for-performance commitment, our CEO moved from time-based restricted stock unit awards and performance-based stock awards to solely performance-based stock compensation. This new compensation structure was effective for the first time in 2012 and will continue thereafter without adding to the potential number of performance-based awards the CEO is eligible for.

Performance stock units awarded to our executive officers for 2012 were granted at target values on January 3, 2012 and vest on December 31, 2014. The actual number of shares earned was determined based on a comparison of the Company s total shareholder return against the total shareholder return of the S&P Small Cap 600 Index.

The PSU program was changed during 2012 so future grants, beginning in 2013, would be based on attaining a targeted return on invested capital (ROIC). We believe incentivizing our executive team to improve ROIC will lead to accelerated growth in stockholder value. This change was also suggested by our stockholders.

Perquisites or other personal benefits to our executive officers are comparable to other companies in our peer group.

Compensation Overview and Pay-for-Performance

As noted above, we are committed to a strong pay-for-performance philosophy. With that in mind, we have designed our compensation program to attract, retain, and motivate highly qualified individuals to serve as our executive officers and to align the financial interests of our executive officers with those of our stockholders.

We believe it is in the best interest of our stockholders to encourage and reward the creation of sustainable, long-term stockholder value. To best encourage the practice of creating stockholder value, we developed our executive officer and senior management compensation to place a significant emphasis on pay-for-performance. We believe executive officers and senior management s interests are more directly aligned with the interests of our stockholders when compensation programs are significantly impacted by the value of our common stock, encourage ownership of our common stock, and reward both short and long-term financial performance. A significant element of our compensation program is long-term equity awards under the Long-term Incentive Plan (LTIP) which meet the objectives noted above and is comprised of both performance-based and time-based equity awards. Another significant element of our compensation program, the annual Management Incentive Compensation Plan (MICP) depends on the achievement of financial and strategic goals. We believe the other elements of our compensation program are competitive with the market and allow us to attract, retain, and motivate a highly qualified senior management team.

The significant elements of our compensation program for executive officers and senior management include base salary, the MICP, equity-based incentive compensation under the LTIP, retirement plans, other perquisites, and a non-qualified, equity-based deferred compensation plan (MSPP). Therefore, the compensation program includes a significant portion of performance-based compensation, including the MICP and performance-based equity awards issued under the LTIP.

Consistent with our pay-for-performance philosophy, our CEO target compensation is designed to be heavily weighted toward performance-based compensation. As depicted in the chart below, 68% of our CEO s target compensation is provided in the form of performance-based compensation. The target compensation of our NEOs is also weighted toward performance-based compensation. On average, 49% of their compensation is performance based with another 10% tied to time-vested stock awards. The long-term value of time-vested stock awards will fluctuate with our stock price, thus aligning their interests with our stockholders interests. During 2012, in an effort to increase the amount of CEO compensation tied to performance, the Compensation Committee removed the time-based LTIP award component of the CEO s compensation program. The following charts highlight the targeted compensation mix for our CEO and the average mix for the other NEOs:

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Performance-based compensation includes annual incentive compensation and performance-based equity awards. A significant portion of the executive officers compensation is at-risk based on the value of the Company s common stock and financial performance. The above chart includes targeted compensation generated from the deferral of salary or compensation from the MICP into our non-qualified deferred compensation plan, the MSPP, which is an important part of our compensation program. Compensation deferred into the MSPP is converted to restricted stock units and the aggregate amount deferred is also at-risk since it is based on the value of the Company s common stock. The MSPP further illustrates the level of emphasis we give pay-for-performance as it relates to our executive officers compensation program.

The components of compensation that are performance based ensure that executive pay is aligned to performance. Our annual MICP has the following performance related criteria: (i) adjusted net income from continuing operations as a percentage of sales, (ii) net sales growth, and (iii) days of working capital. We believe the structure of the annual incentive plan has incentivized management to maintain market share and pursue growth and cost reduction opportunities during a period of unprecedented lows in macroeconomic activity in the markets we serve. The following chart shows the alignment between the MICP payout percentage and our net sales growth:

Another significant portion of the executive officers performance based compensation is performance based equity awards (PSUs). PSUs are awarded to our executive officers and earned annually based on our total shareholder return (TSR as defined in the awards) compared to a group of peer companies (2009 through 2011) or an index of stocks (in 2012). The following compares the percentage of PSUs earned annually compared to our TSR (as defined in the award) in relation to the median TSR of the selected peer companies or the TSR of the selected index since the first PSUs were awarded in 2009:

Year	Gibraltar s TSR	Median Peer Company/ Index TSR	Gibraltar s Over/ (Under) Performance	Percentage of PSUs Earned
2009	29%	37%	-8%	34%
2010	-20%	14%	-34%	0%
2011	10%	-12%	22%	200%*
2012	7%	14%	-7%	58%

* Maximum allowed under the award.

The other significant components of compensation for our executive officers are not performance based and consist of a competitive base salary and, for NEOs other than our CEO, long-term incentive compensation consisting of restricted stock units (RSUs). The RSUs convert to shares over a vesting period generally consisting of four years and we believe the RSU awards align the executive officers goals with stockholders as the officers are incentivized to increase the stock price through ownership of RSUs and shares of the Company s common stock. The CEO does not receive any time-based RSUs so that the mix of compensation provided to the CEO is more significantly performance based.

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Distinguishing Awarded Compensation from Realized Compensation

It is important to distinguish the reported compensation awarded to our executive officers in 2012 from the compensation that was actually earned by our executive officers. Compensation reported within the Summary Compensation Table uses different methods depending on the type of compensation. The PSUs reported for each executive officer is the award value, or grant-date fair value, while the compensation from the MICP reported in the table is the actual amount earned and paid to the executive officers, or realized value. If both portions of performance based compensation were shown at their realized value, it would show the impact of actual performance on each executive officer s compensation. Additionally, the value of retirement benefits and the MSPP reported in the Summary Compensation Table is subject to the volatile and significant effects of changes in actuarial assumptions and stock prices.

The following summarizes the impact that performance based compensation and retirement benefits had on compensation realized by our executive officers:

Name	2012 Total Compensation Per Summary Compensation Table (1)	Reduction of Awarded PSUs to Earned PSUs (2)	Exclusion of Change in Pension and Non-qualified Deferred Compensation (3)	2012 Total Realized Compensation	2012 Total Targeted Compensation	Realized As a Percent of Targeted
Brian J. Lipke	$ 2,093,881	$ (359,377)	$ (85,805)	$ 1,648,699	$ 2,772,277	59%
Henning N. Kornbrekke	$ 3,113,877	$ (314,451)	$ (310,568)	$ 2,488,858	$ 2,734,823	91%
Kenneth W. Smith	$ 1,394,457	$ (148,860)	$ (74,109)	$ 1,171,488	$ 1,337,477	88%
Paul M. Murray	$ 690,887	$ (83,676)	$ (32,642)	$ 574,569	$ 646,418	89%
Timothy F. Murphy	$ 364,931	$ (41,025)	$ (8,853)	$ 315,053	$ 371,298	85%

(1) Amounts agree to the Summary Compensation Table on Page 22.
(2) Equal to the difference between the grant date fair value presented in the Summary Compensation Table on Page 22 and the realized earnings as calculated in the footnotes to the Summary Compensation Table.
(3) Equal to the amount reflected in the Summary Compensation Table less the company match credited to the MSPP which is considered a component of each executive officer s targeted compensation.

As shown above, the realized compensation earned by the chief executive officer and other named executive officers approximated 59% and 88% of targeted compensation, respectively. Realized compensation did not meet target compensation as a result of the net effect of delivering TSR less than the S&P Small Cap Index, which impacted PSU compensation, and not fully deferring all compensation allowable under the MSPP offset by the effect of exceeding targeted performance for profitability which impacted compensation earned under the MICP. The Compensation Committee believes realized compensation is an important metric to understand when evaluating the effectiveness of the Company s compensation program.

Stockholder Outreach

At the 2012 Annual Meeting of Stockholders, Gibraltar received 70% support from its stockholders on the Say-on-Pay vote. The Compensation Committee considered the 2012 Say-on-Pay vote and performed a stockholder outreach program despite the stockholders support for the proposal. We reached out to eight non-management stockholders, who at that time beneficially owned approximately 46% of our outstanding shares, to seek our stockholders feedback and suggestions on overall design of the executive compensation program. The primary themes that emerged from the outreach were that stockholders wanted a compensation program based on Gibraltar s performance and that, while different stockholders suggested various metrics for measuring performance, the most commonly suggested metrics were return on invested capital and total shareholder return. Additionally, the stockholders requested that we revisit the peer group used to evaluate executive officer compensation. In response to the stockholders suggestions, we acted by, i) eliminating any time-based equity awards granted to our CEO, ii) changing the performance criteria to ROIC for performance-based equity awards granted in 2013 and thereafter, and iii) revamping our peer group as discussed below. We are appreciative of the candid and constructive advice provided by our stockholders and believe the suggested changes to the compensation program are improvements to the plan.

Design of the Compensation Program

The Compensation Committee of our Board of Directors engages Towers Watson, a nationally recognized compensation consultant, to provide survey information and assistance in the development of a compensation program for our executive officers which has a strong emphasis on performance and long-term incentives and which is competitive within our industry in terms of (1) base salaries, (2) annual incentives, and (3) long-term incentives. These three components of the compensation program are the key elements offered to our executive management team.

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The Company s compensation program is reviewed annually to ensure the goals of the program are met and to incorporate changes to align the program with best practices, such as the creation of performance based awards. The compensation program compensates our executive officers through a mix of base salary, annual incentive payments, and long-term equity-based incentives. The structure of this compensation program continues as the framework for compensation paid to the executive officers as reported in the Summary Compensation Table and was developed by the Compensation Committee in consultation with Towers Watson with respect to compensation practices of peer companies.

Peer Company Analysis

We analyzed our executive officers 2012 compensation in relation to executives compensation of a peer group of companies used for comparative data including A.O. Smith Corporation, Apogee Enterprises, Builders FirstSource, Griffon Corporation, Headwaters Incorporated, NCI Building Systems, Quanex Building Products, Simpson Manufacturing, and Trex Company. The Company revamped its peer group during 2012 to more accurately reflect peer companies current size and industry affiliation since it had been several years since the Company had revised this peer group. After recognizing institutional stockholders and advisors may use a similar approach, the Company selected its peer group due to their similar size and industries. It dropped seven companies and added six to the peer group in order to provide for a more similar range of revenues and industry dynamics. The companies that were added were all building products businesses that have revenues, market capitalization, or assets equal to 50%-200% of Gibraltar s. Companies that did not meet these criteria were excluded from our peer group.

To validate the base salaries and other key elements of compensation provided to our NEOs, the compensation of similar officers of the peer group was analyzed. The following table compares the significant compensation elements for Gibraltar s executive officers to other executives from our peer group with similar responsibilities. The compensation elements below include salary, annual cash bonus, and granted equity compensation, which are represented in thousands:

	Base Salary			Non-Equity Incentive Compensation			Long-Term Incentives		
Name	**Gibraltar**	**Peer Group Average**	**Ratio**	**Gibraltar**	**Peer Group Average**	**Ratio**	**Gibraltar**	**Peer Group Average**	**Ratio**
Brian J. Lipke, CEO	$ 680	$ 682	100%	$ 392	$ 1,385	28%	$ 816	$ 1,498	54%
Henning N. Kornbrekke, COO	$ 595	$ 500	119%	$ 476	$ 476	65%	$ 1,190	$ 1,190	276%
Kenneth W. Smith, CFO	$ 347	$ 362	96%	$ 224	$ 357	63%	$ 490	$ 523	94%
Paul M. Murray, SVP	$ 197	$ 359	55%	$ 75	$ 222	34%	$ 237	$ 179	132%
Timothy F. Murphy, VP	$ 159	$ 192	83%	$ 43	$ 169	25%	$ 109	$ 211	52%
Average Ratios for all Named Executive Officers			91%			43%			122%

The Compensation Committee affirmed the executive officer base salaries based on recommendations from management and with regard to review of the data summarized above. Under our internal management structure, our CEO and COO work closely and collaborate in the development of strategy, goals, objectives, and executive tactics. Due to this structure, we believe it is appropriate for the difference between the base salary of the CEO and COO to be relatively small which explains the difference between the average COO salary and the salary established by the Company for our COO.

In general, our base salaries are competitive with the peer group with our more experienced executive officers positioned closer to the average for the peer group. As noted above, our base salaries averaged 97% of comparable salaries within our peer group. Our officers newer to their roles, like Mr. Murphy, are positioned below the average of the peer group. We noted that the peer group did not have a reliable comparisons for our Senior Vice President of Human Resources and Organizational Development, but believe Mr. Murray s salary is competitive with the market.

Additionally, our MICP, the annual cash bonus plan, is positioned significantly lower than our peer group, at 43% of the peer group s average incentive compensation. Our equity compensation is positioned near the peer group average, at 122% of the peer group s average. We believe the emphasis on long-term equity awards better aligns our executive management team s interests with our stockholders as it emphasizes stockholder value creation and return on invested capital.

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Based on the following analysis, Gibraltar has outperformed this peer group in a number of financial metrics, other than total shareholder return (TSR). The following table discloses Gibraltar s percentile ranking during the one-year and three-year periods ended December 31, 2012 compared to the peer group noted above and the relative degree of alignment of pay to performance for each of the following metrics which we believe represents financial performance:

	Total Shareholder Return	Change in Book Value	EPS Growth	Operating Cash Flow as % of Sales	Return on Assets	Return on Equity	Total CEO Compensation
One-year period	11th	78th	44th	44th	67th	56th	33rd
Three-year period	11th	44th	78th	78th	44th	44th	33rd
Average	11th	61st	61st	61st	56th	50th	33rd
Relative Degree of Alignment *	-22nd	28th	28th	28th	23rd	17th	

* The relative degree of alignment was calculated by deducting the average ranking of total CEO compensation from the average ranking of each metric. We believe any score higher than -30% would indicate a reasonable alignment of pay-to-performance in accordance with the model used by International Shareholder Services, Inc.

The average percentile ranking for the six financial metrics noted above equals the 50th percentile in aggregate, which compares favorably to CEO compensation at the 33rd percentile. The only performance metric that Gibraltar did not perform at median or above was TSR which can be impacted by a number of factors outside of the control of management, including but not limited to, macroeconomic factors and current events. We believe improvement in the operating metrics noted above will eventually lead to increased profitability and cash flow. Improvements in the financial metrics noted above will further help to accelerate the creation of stockholder value and drive increasing stock prices and stockholder returns. Our performance-based compensation programs are designed to improve the metrics noted above (other than TSR) because the measures compensation is based upon would increase all of the metrics noted.

Compensation Committee Approval Process

Management recommendations for salary increases are made annually and are based on management s evaluation of each executive officer s performance, length of service to the Company, experience, level of responsibility, the Company s financial position, and degree to which their efforts have contributed to the implementation of the Company s strategies and goals. This information is then used by the Compensation Committee to review and approve the base salaries of executive officers.

Final authority for the establishment of annual base salaries of our executive officers resides with the Compensation Committee. Once base salaries are established, the formula-driven components of our compensation program are applied to determine the amount of the total compensation which our executive officers will be entitled to receive based upon the degree to which the Company s annual goals have been achieved.

Based on the peer group analysis described above, targeted annual incentive compensation and long-term equity-based incentive compensation components of each executive officer s total compensation were set at percentages of each executive officer s base salary. Structuring our compensation so a substantial portion of each executive officer s total compensation is based on annual incentives and equity-based long-term incentives rewards our executive officers for achieving clearly defined annual financial goals and long-term appreciation in the value of the Company s common stock. Additionally, the link between the amount of an executive officer s base salary and the annual and long-term equity incentive compensation reduces the need for the Compensation Committee to exercise discretion in the determination of the amount of an executive officer s incentive compensation. This provides the executive officers and stockholders a level of certainty as to the level of incentive compensation which executive officers will be entitled to receive upon attainment of a specified level of performance.

The following table summarizes the targeted compensation for non-equity incentive compensation and equity incentive awards (including RSUs and PSUs) established by the Compensation Committee:

Position	Targeted Non-Equity Incentive	Long-term Equity Compensation as a

	Compensation as a Percentage of Salary	Percentage of Salary
Chief Executive Officer	90%	120%
Chief Operating Officer	75%	200%
Chief Financial Officer	60%	145%
Senior Vice President	35%	125%
Vice President	25%	70%

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The Compensation Committee set the targeted annual incentive compensation and long-term equity compensation levels as a percentage of salary after consulting with Towers Watson. The compensation levels were considered reasonable in comparison to the peer companies described above and tailored to the Company s leadership structure, level of responsibility, and emphasis on pay-for-performance while emphasizing stock ownership which we believe aligns management s interests with the interests of our stockholders.

The Compensation Committee, in consultation with senior management, developed a long-term equity-based incentive program which provides executive officers the ability to earn long-term equity-based incentive compensation which was based, in part, on the passage of time and, in part, on the achievement of performance objectives. This plan was responsive to the desires of both the Compensation Committee and management to develop a long-term equity-based incentive program which would be more aligned with the interests of the Company s stockholders than an equity-based incentive program that provided for payment solely on the expiration of time. The first PSUs awarded under this program were granted in 2009 and vested December 31, 2011. On January 3, 2012, a second grant of PSUs were awarded to the senior management team. PSUs vest over a three year period and are earned by executive officers based on a comparison of the Company s total shareholder return against the total shareholder return of a selected peer group or selected stock index during distinct performance periods. The PSUs convert to cash based on the trailing 90-day closing price of the Company s common stock as of the vesting date and the recipients are paid an amount equal to the converted value.

For 2012 and thereafter, the CEO voluntarily elected to waive his right to receive any equity awards that vest solely on the passage of time. The voluntary election to forfeit these grants of restricted stock units places more compensation at-risk and aligns CEO compensation to performance in a stronger manner. The only compensation received by the CEO that is not performance-based will be base salary along with some perquisites and other personal benefits. At no time in the future will the Compensation Committee grant additional awards or a cash payout to replace the surrendered compensation.

The Compensation Committee believes that the long-term equity-based incentive compensation structure described above promotes the interests of the Company s stockholders by providing an incentive to executive officers to continue their employment with the Company as well as an incentive to create stockholder value. Furthermore, executive officers are provided an incentive to improve the value of the Company s common stock over the long term because final payment of this long-term equity-based incentive compensation program is based on the price of the Company s stock at the time of payment.

Elements of Our Compensation Program

Our compensation program for executive officers and senior management contains the following elements:

- Base Salary
- Annual Management Incentive Compensation Plan (MICP)
- Equity-based Incentive Compensation (Omnibus Plan)
  - Non-qualified Deferred Compensation Plan (MSPP)
  - Long-term Incentive Compensation Plan (LTIP)
    - Restricted Stock Units
    - Performance Stock Units

Retirement Plans

Change in Control Benefits

Perquisites and Other Benefits

Generally Available Benefit Programs

Base Salaries. As noted above, the Company provides executive officers with a base salary approved by the Compensation Committee, which reflects the level of responsibility held by our executive officers, rewards them for the day to day performance of their duties, and is competitive within our industry. Our competitive analysis includes a review of the base salaries and total compensation paid by our peer group companies to their executive officers. For our Chief Executive Officer, a base salary of $680,000 was established during 2008 has remained unchanged through 2012.

Under our internal management structure, our CEO and COO work closely and collaboratively in the development of strategy, goals, objectives, and execution tactics. We believe this fosters team unity and results in better strategic decision making. Due to this structure, we believe it is appropriate for the difference between the base salary of the CEO and the COO to be relatively small. As a result, the base salary for the COO was established at $577,500 during 2009. His salary increased to $595,000 effective June 1, 2011. Both salaries are within industry targeted base salary ranges and were established based upon comparison to the peer companies and the individual s performance.

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We establish the base salaries of our other executive officers using the same process of analyzing the level of their responsibility and contribution to the Company s overall objectives and taking into consideration the range of base salaries paid to these officers by our peer group companies. The base salaries of the other executive officers were established using these criteria. During 2010, the Company suspended salary increases for all employees. Our executive officers, other than our CEO who as previously noted above has not received a base pay increase since 2008 and our COO who did not receive a salary increase in 2012, received salary increases effective June 1, 2011 and April 1, 2012. Therefore, the salaries shown in the summary compensation table for 2011 and 2012 reflect a portion of the year at their respective prior year salaries and the balance of the year at the salaries established in 2011 and 2012.

Annual Management Incentive Compensation Plan. Our annual Management Incentive Compensation Plan (MICP) provides alignment between executive management s cash compensation and stockholder interests by rewarding management for achievement of performance targets that the Compensation Committee believes will enhance stockholder value.

MICP targets in 2012 included income from continuing operations as a percent of sales, net sales growth year-over-year, and days of working capital. The targets for 100% achievement of MICP awards were 2.5% income from continuing operations as a percentage of sales (NI%), 10.0% net sales growth from the preceding year (NSG), and 72 days of working capital (DWC). The MICP payout is adjusted for performance above or below targeted levels. The MICP for 2012 included minimum thresholds of 1.0% NI%, prior year net sales, and 80 days of working capital. Targeted annual incentive compensation under the MICP as a percentage of executive officer base salaries are as follows:

Position	Targeted Annual Incentive Compensation as a Percentage of Base Salary
Chief Executive Officer	90%
Chief Operating Officer	75%
Chief Financial Officer	60%
Senior Vice President	35%
Vice President	25%

The NI% and NSG targets and thresholds referred to above were established through an analysis of historic performance of the Company, analysis of its peer group, and stretch performance criteria. These targets and thresholds are reviewed on an annual basis to better align incentive compensation to the Company s goals. The targets and thresholds for NI% and NSG were developed based on the Company s historical performance and market conditions in the building and construction industries, which showed that these levels of profitability and growth would provide a strong return for our stockholders. The target and threshold developed for DWC was based on management s goal to maintain working capital levels and maximize cash flows from operations in an effort to minimize the level of debt outstanding and increase liquidity.

The Compensation Committee believes incentivizing management to deliver improved net income and sales growth will provide stockholders with value as these metrics lead to increased cash flow used to fund growth initiatives, including acquisitions. The NI% target is based upon a percentage of net sales to incentivize management to maximize profitability at any level of sales volume. The Compensation Committee also believes it is important for management to be incentivized for optimizing working capital requirements which will maximize cash flow from operations, which is used to fund the growth of the Company. The combination of the three targets, NI%, NSG, and DWC, incentivize management to maximize the return on investment for our stockholders. Based on this understanding, the Compensation Committee concluded that the metrics included in determination of the MICP payout are effectively connected to the creation of stockholder value.

For the year 2012, sixty percent (60%) of the 2012 MICP was based upon NI%, twenty percent (20%) was based upon NSG, and twenty percent (20%) was based upon DWC. These weightings are reviewed by the Compensation Committee with management on an annual basis and adjusted if deemed appropriate by the Compensation Committee. These weighting were changed for the 2012 MICP so the NI% weighting was increased from fifty percent (50%) and the DWC weighting was reduced from thirty percent (30%). The Compensation Committee determined the significant attention to DWC that was incentivized in prior years was less important to the Company as the amount of debt was reduced significantly and the Company had sufficient availability under its revolving credit facility. As a result, the Compensation Committee and senior management agreed that the executive officers should be most focused on improving the Company s profitability in 2012. The Compensation Committee reviews and alters the weightings and the targets to ensure the Company focuses on the key metrics during different periods.

Maximum achievement for NSG is two hundred percent (200%). Neither NI% nor DWC has a maximum limit because an excessive payout is not possible due to the nature of the measurement and the operating characteristics of the Company. In addition, adjustments are made to the performance levels achieved by the Company with respect to the applicable performance criteria to eliminate the effect of restructuring and impairment charges, acquisition-related costs, and other non-routine transactions.

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Due to the Company s operating performance in 2012, MICP payments were 106.7% of the targeted level as calculated below (dollar amounts in thousands):

	NI%	NSG	DWC	Total
Income from continuing operations as reported	$ 12,650			
Intangible asset impairment, net of taxes	4,516			
Restructuring costs, net of taxes	2,563			
Acquisition related costs, net of taxes	465			