# FORM 10-K

Annual report pursuant to section 13 and 15(d)

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## FILER

**AMERICAN BUILDINGS CO /DE/**

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1998
OR

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

For the transition period from _________________ to _________________

Commission File Number 0-23688

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AMERICAN BUILDINGS COMPANY
(Exact name of registrant as specified in its charter)

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| | |
|---|---|
| Delaware | 63-0931058 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

1150 State Docks Road, Eufaula, Alabama 36027
(Address of principal executive offices)

(334) 687-2032
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.01 per share

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $97,233,575 as of the close of business on March 17, 1999.

The number of shares of Common Stock, $.01 par value, outstanding as of March 17, 1999 was 5,105,180.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be used in connection with its Annual Meeting of Stockholders to be held on April 27, 1999, are incorporated by reference into Part III of this Report.

ITEM 1. BUSINESS

American Buildings Company ("ABC" or the "Company") is a diversified manufacturer and marketer of construction products and services for non-residential and residential applications. The Company designs, manufactures and sells metal building systems, which consist of structural framing and wall and roof panels, for industrial, commercial and institutional markets. The Company's metal building systems are generally custom-designed to meet the specific needs of the end-user and to allow for easy on-site assembly by builders and independent erectors. The Company's metal building systems average approximately 11,800 square feet in size, although the Company frequently provides larger buildings of up to one million square feet or more. The Company markets its metal building systems nationwide through approximately 1,120 authorized builder/dealers. ABC has capitalized on its extensive builder/dealer network and engineering expertise to expand into the emerging metal roofing market. The Company has a separate roofing products' sales, engineering and customer service organization, which markets and sells the Company's roofing products to its builder/dealer network and approximately 370 preferred roofing contractors. The Company also provides specialty engineering services for large, complex building structures, manufactures and markets mini-warehouses to serve the growing self-storage market and secondary building components to serve the Company's builder/dealers and roofers as well as the general construction industry, and paints steel coils. In addition, the Company manufactures and markets steel sectional upward acting doors for residential, commercial and self-storage applications, as well as light gauge steel framing systems and roof trusses. The Company also operates an ICC-licensed trucking subsidiary. ABC markets its products and services throughout North America and in selected international countries. The Company derived 95.3%, 92.8% and 71.9% of its respective 1996, 1997 and 1998 net sales from the sale of metal building systems and roofing and architectural products and secondary building components. Approximately 23.8% of the Company's 1998 net sales were derived from the sale of steel sectional upward acting doors.

Industry Overview

Since the inception of the metal buildings industry in the 1940s, metal building systems have become a highly accepted method of construction for low-rise, non-residential structures, such as factories, warehouses, distribution centers, athletic and event centers, office buildings, retail establishments, banks and schools. Based upon information reported by the Metal Building Manufacturers Association ("MBMA"), an industry trade association, metal building systems accounted, on a square footage basis, for approximately 70% of low-rise, non-residential structures of up to 150,000 square feet constructed in 1998, compared to 65% in 1995 and 54% in 1987. The Company believes the cost of the metal building system generally represents approximately 15% of the total cost of constructing the building. In 1997, the non-residential market for metal buildings consisted primarily of three distinct markets: (1) manufacturing buildings, which accounted for approximately 46% of metal building systems industry sales; (2) commercial buildings, which accounted for approximately 31% of such industry sales; and (3) institutional buildings and other categories, which in the aggregate accounted for approximately 23% of such industry sales.

Industry demand for metal building systems is cyclical and highly sensitive to overall economic conditions, dependent to a large degree upon the level of non-residential construction activity, the availability of financing for construction projects, interest rates and other factors that affect the construction industry. According to information reported by the MBMA, metal buildings industry sales increased from approximately $1.0 billion in 1982 to approximately $1.7 billion in 1989, but subsequently declined to approximately $1.3 billion in 1991. Demand in the metal buildings industry was flat in 1992 at approximately $1.3 billion, but increased to approximately $1.5 billion in 1993, $1.9 billion in 1994, $2.2 billion in 1995, $2.3 billion in 1996,



$2.5 billion in 1997 and $2.7 billion in 1998.(1) The decline in industry volume during 1990 and 1991 and flatness during 1992 adversely impacted all manufacturers, and caused a number of them to close manufacturing facilities. The five largest manufacturers of metal buildings in the United States, including ABC, collectively accounted for approximately 69%, 68% and 63% of 1996, 1997 and 1998 industry sales reported to the MBMA, respectively; the balance of the manufacturers are predominantly small or regional competitors.

In the early years of the industry, metal building systems were most often used for factories, warehouses, distribution centers and other applications in which the exterior appearance of the building was not as significant a consideration to customers as construction cost, efficiency, speed of construction and other factors. Technological advances in products and materials, as well as the advent of modern computer-aided engineering and design techniques, have led to the development of structural and roofing systems that are compatible with more traditional construction materials. Architects and designers now often combine a metal building system with masonry, glass and wood exterior facades in order to meet the aesthetic requirements of building codes and potential customers while preserving the inherent favorable characteristics of metal building systems. As a result, the uses for metal building systems now include office buildings, showrooms, retail stores, banks, schools and other non-residential buildings for which aesthetics and architectural features are important considerations. The Company believes that competing in markets where customers seek unique aesthetic or functional features for a structure places a premium on the manufacturer's custom design and engineering capabilities, as well as the strength of its distribution network.

The Company believes that, as a result of improvements in metal building design and engineering, metal systems construction has become more competitive with the more traditional forms of construction, although some customers may prefer other forms of construction for aesthetic reasons. Nevertheless, the Company believes that metal building systems have gained market share from the more traditional forms of construction for the following reasons:

Short Construction Time. In many instances, it takes less time to construct a metal building system in comparison to other building types, in part due to the fact that a contractor can prepare the building site while the manufacturer designs and manufactures the building system. In addition, since most of the work is done in the factory, the likelihood of construction delays resulting from bad weather is reduced.

Low Material Costs. Most metal building system manufacturers use computer-aided analysis and design to fabricate structural members with high strength-to-weight ratios, minimizing raw materials costs.

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(1) The market share information of ABC in the metal buildings industry (which is measured in terms of sales dollars shipped (as opposed to sales orders received)) and sales information for the metal buildings industry, including the total market and the market share and sales information for competitors of the Company, included herein are derived solely from data reported by the MBMA, an industry trade association, in March 1999. The Company believes that the 32 manufacturers of metal building systems who are currently members of and report information to the MBMA represent approximately 90% of the total industry sales. The sales data which the Company reports to the MBMA, and on which the Company's metal buildings industry market share information included herein is based, consist of sales of the Company's Construction Products Group (which are referred to herein collectively as "the Company's metal buildings industry sales"). In 1996 the Company created a Construction Products Group, which consists of the Company's metal buildings systems, roofing, self storage, heavy fabrication and components divisions.



Low Construction Costs. Factory labor rates are generally lower than field construction labor rates. Additionally, building system components produced in a controlled factory environment generally tend to be of higher quality than components built under the sometimes adverse weather conditions in the field.

Ease of Expansion and Flexibility. Metal building systems can be modified quickly and economically before, during or after the building system is completed to accommodate expansion. Typically, a building system can be expanded by removing the end or side walls, erecting new framework, and adding matching wall and roof panels.

Low Operating Costs. Metal will not deteriorate because of cracking, damp rot and insect damage and metal buildings are easy to insulate. Furthermore, factory applied roof and siding panel coatings resist cracking, peeling, chipping, chalking and fading.

Improved Aesthetics. Metal building systems' aesthetic qualities have dramatically improved with advances in design, materials and coatings. Metal building systems can be combined with masonry, glass or wood facades in order to meet customers' aesthetic requirements while maintaining many of the basic advantages of metal buildings. The Company believes that an end-user's decision between metal buildings and buildings constructed with more traditional materials (e.g., wood, brick) is based on personal preferences for aesthetic features and price.

The cost of metal building systems compares favorably to conventional construction primarily because the secondary structural framing and covering system are made from cold-formed steel products, thus reducing cost. The rigid primary structural framing is also manufactured in a low labor-intensive process, relying to a large extent on semi-automatic welding machinery to form the various structural parts. Cost competitiveness can vary based on the type and complexity of the building, including bay spacing, loads and cover system requirements.

In addition to metal building systems, some metal building systems companies have targeted the non-residential roofing business as an opportunity to expand the applications of their base product. The development of the standing seam roof as an alternative to the traditional through-fastened metal roof and long life panel finishes have accelerated the growth of this market by providing the industry with a product to market as a replacement for built-up and single-ply roofs or as a retrofit over those roofs. Although the upfront costs of a metal roof are 20-25% greater than those of roofs constructed with more traditional materials, ABC believes that the cost savings over the 20-year life of the metal roof exceed 10% per year due to energy efficiencies and lower maintenance requirements. According to the National Roofing Contractors Association, the market for non-residential roofing in 1997 was approximately $14.2 billion, divided between retrofit roofing (approximately $10.8 billion) and new roofing (approximately $3.4 billion).(2) The Company believes metal roofing in 1997 accounted for approximately 4.6% of the total non-residential roofing market.

The non-residential construction industry is highly sensitive to overall economic conditions, and from time to time has been negatively impacted in numerous geographic regions by unfavorable economic conditions,

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(2) The sales information for the roofing industry is derived from data published by the National Roofing Contractors Association ("NRCA"), an industry trade association, which compiles information from roofing contractors and makes certain extrapolations to determine the total market. The Company does not, and believes other metal buildings systems manufacturers do not, report roofing sales to the NRCA.



relatively high vacancy rates, changes in tax laws impacting the real estate industry and the unavailability of financing. Demand for the Company's products may be adversely affected by the weakness of demand within particular customer groups or a recession in the construction industry or particular geographic regions, which may adversely affect the Company's results of operations. The timing and severity of future economic or industry downturns are not currently determinable, and any such downturn could have a material adverse effect on the Company's results of operations and business.

Company Strategy

The Company's business strategy is focused on increasing long-term profitability through enhancement of its strong builder/dealer network, technological innovations, cost efficiencies, internal investment, capacity expansion and expansion into related lines of business. The Company believes that its recent growth and prospects for the future result from its implementation of the following strategies:

Strong National Builder/Dealer Network. The Company has established, and continues to enhance, its strong builder/dealer network. ABC focuses on attracting design/build and negotiating contractors, which typically have higher margins than bid-oriented general contractors. In 1997 and 1998, ABC added 152 and 144 builders, respectively, to its builder/dealer network and dropped 240 poorly performing builders in aggregate during these years. In 1997 and 1998, the 152 new builders and 144 new builders accounted for approximately 6% and 5%, respectively, of the Company's metal buildings industry sales. The Company believes that its product mix, which includes roofing and architectural products and its specialty engineering group responsible for the design of large, complex buildings, as well as its national accounts program, which focuses on developing business from large, frequent builders of metal building systems and relationships with major engineering, architectural and construction firms, will assist ABC in attracting and retaining the industry's highest caliber builders as well as establishing relationships with large frequent purchasers of metal building systems. The Company's relationship with its builder/dealers and preferred roofing contractors is non-exclusive.

Technology Design Leadership. In 1991 the Company introduced Spectrum, a personal computer-based proprietary design, estimating and ordering software system which allows a builder to rapidly design projects and produce complete cost data and computer generated drawings for most of the Company's metal building systems. The Company believes that Spectrum's ease of use provides a competitive edge to ABC's builders. Approximately 95% of the Company's builders are currently trained and licensed to use Spectrum. Based upon the success of Spectrum, the Company introduced Summit, a personal computer-based proprietary design, estimating and ordering software system specifically designed for the metal roofing market, in April 1994. Approximately 89% of the Company's preferred roofing contractors are currently trained and licensed to use Summit. The Company intends to continue to enhance its technology to improve its ability to accurately and competitively price the Company's products and use this competitive strength to recruit new builders.

Expansion of Non-Residential Metal Roofing Business. The Company has focused on expanding its roofing and architectural products business to take advantage of the rapid growth and acceptance of metal roofing in the $10.8 billion retrofit roofing and $3.4 billion new roofing markets. ABC devotes a separate sales, engineering and customer service organization for the distribution of non-residential roofing products. The Company believes that this division also offers a new product line to its builder/dealer network, and that this product line assists the Company in attracting and retaining the industry's highest quality builders.



Internal Expansion. ABC opened the initial phase of its manufacturing facility in Virginia in October 1994, and completed this facility in December 1995. Because of the significance of freight and delivery charges to the delivered cost of metal building systems, the Company believes it is advantageous to sell and deliver its products within a 500 mile radius of its manufacturing facilities. The Company believes that locating a facility in Virginia has allowed it to meet increasing demand in the East Coast market while relieving capacity constraints at the Company's Alabama and Illinois facilities, allowing continued growth in the markets supplied by these facilities. In addition, in late 1996 and early 1997 the Company increased the capacity of its Polymer Coil Coaters division by upgrading the line speed.

Improvement of Manufacturing Efficiency and Productivity. Following the Company's recapitalization in January 1993 (see "--Company History"), the Company implemented a capital expenditure program to improve manufacturing efficiency and productivity. The Company spent $9.3 million during 1996 (including $3.6 million of capital expenditures for its Virginia facility, $2.9 million to increase capacity at its Polymer Coil Coaters division and $2.1 million for office expansion), $9.8 million during 1997 (including $3.6 million for new technical and business systems), and $8.8 million during 1998 (including $1.0 million for new technical and business systems), and currently intends to spend $11.5 million during 1999, including $1.6 million for new technical and business systems, with the remainder for new equipment, production controls and other capital expenditures which the Company believes will enhance its overall profitability by improving manufacturing efficiency and productivity, reducing costs and increasing capacity to meet increasing demand. ABC is committed to ongoing reductions in its cost of producing metal building systems in order to increase its sales and market share in the metal buildings industry.

International Opportunities. The Company intends to pursue international opportunities through export of its products and formation of joint ventures. The Company's joint venture, American Buildings Company Asia, L.P., was formed to pursue the manufacture and sale of metal building systems in The People's Republic of China and certain other countries in Southeast Asia. The Company is also currently marketing its products in Brazil and certain other Latin American countries. See "--International Opportunities."

Expansion into Related Lines of Business. The Company intends to expand the construction products and services it offers, both through acquisition and internal development. In December 1996, the Company formed a new division to pursue the manufacture and marketing of light gauge steel framing and roof trusses for the light commercial market. In December 1997, the Company acquired the Windsor Door division of United Dominion Industries, Inc., the industry's fourth largest producer/marketer of steel sectional upward acting doors for residential and commercial applications. The Windsor Door division also produces rolling steel doors for industrial uses and has a contract manufacturing business specializing in metal stampings. In July 1998, the Windsor Door division acquired a California distributor of overhead doors.

Customers and Distribution Network

The Company distributes its metal building systems through a nationwide network of approximately 1,120 authorized builder/dealers. ABC markets to builders through a sales force of approximately 40 persons located throughout the United States. The Company currently has an organization of approximately 370 preferred roofing contractors, including approximately 175 builders which are part of the Company's metal building systems builder/dealer network. The Roofing and Components Group primarily markets roofing products and secondary components through a separate sales force of 27 persons to ABC's builder/dealer network, preferred roofing contractors and components customers. In both cases, the Company's engineering, manufacturing and marketing personnel work directly with the builder and contractor to establish job specifications and modifications, determine the appropriate pricing for the Company's products and services, generate drawings and establish production and delivery schedules. The Company's relationship with its builder/dealers and preferred roofing contractors is non-exclusive.

The Company's authorized builder/dealer organization consists of independent contractors who market ABC products to end-users. These builders usually erect the metal building system on the customer's site, and provide contracting and other ancillary services to the completion of the project. The Company prices its products to the builder, which usually marks up the price to its customer as part of the overall construction arrangement or bid with its customer. The Company focuses on developing relationships with the strongest builders in each market and recruiting design/build and negotiating contractors, which typically have higher margins than bid-oriented general contractors. Before a builder can become an authorized ABC builder, the Company performs a market analysis of the builder's region to determine their market share and position, as well as background and credit checks to ensure that the builder meets ABC's standards. ABC believes the reputation of the builder/general contractor, price and the ability to meet customer specifications and deliver on time are key factors utilized by end-users in selecting among competing metal building systems. Geographic location is also important to customer service, helping ensure reliable delivery and minimizing freight expense. During 1997 and 1998, the Company's largest builder accounted for approximately 1.5% of the Company's total metal building systems sales in both years, while the ten largest builders accounted for approximately 8.0% and 10.6% respectively, of such sales.

The Company has written agreements with its authorized builder/dealers which generally grant the builder the non-exclusive right to market the Company's products and are generally cancelable by either party on 90 days' notice (five days in the case of certain specified events). The agreements do not prohibit the builder from marketing metal building systems of other manufacturers, although as a matter of practice most of the Company's builders work only with ABC because of ABC's commitment to its builders. The Company provides its builders with sales and pricing information, design and engineering manuals, drawings and assistance, Spectrum for estimating and quoting jobs, advertising and promotional literature, a full-time customer service representative and training for the builder's personnel. The Company often participates on a limited basis with cooperative advertising arrangements, such as yellow pages advertisements, with its builders. The Company also sponsors periodic builders meetings at which it conducts seminars to assist builders in marketing the Company's products. In 1993, the Company established the Golden Eagle program, designed to recognize and reward the Company's highest caliber, highest volume builders. For these builders, the Company provides special levels of support, including free upgrades on Spectrum, free access to the Company's training seminars, special customer service telephone lines and eligibility for incentive awards. Approximately 224 builders are currently participants in the Golden Eagle program.

The builder functions as the Company's direct link to the end-user. The Company provides marketing support and engineering resources for its builders and relies upon each builder's knowledge of the local market. The Company believes that its builder relationships give it prompt and cost effective entry into a local market. The metal buildings industry generally has gravitated toward the builder-manufacturer relationship. However, two of the other three largest national manufacturers each has its own construction company, circumventing local builders in the marketplace. This direct approach allows these manufacturers to compete for large projects without involving the services of a local builder. The Company believes that by not forming a construction subsidiary, it has strengthened its relationship with its builders, because it does not compete with them to construct buildings, and has encouraged builders to pursue a relationship with the Company.



The Company continually seeks to enhance its strong builder/dealer network. The following table sets forth information relating to the total number of the Company's authorized builder/dealers, and the number of builder/dealers added to and terminated from its builder/dealer network, in each of the Company's last three fiscal years:

| Number of Builder/Dealers | 1996 | 1997 | 1998 |
|---|---|---|---|
| At January 1, .................... | 983 | 1,064 | 1,121 |

| | | | |
|---|---|---|---|
| Added | 184 | 152 | 144 |
| Terminated | 103 | 95 | 145 |
| At December 31, | 1,064 | 1,121 | 1,120 |

Although some builder/dealers chose not to continue to be part of the Company's authorized builder/dealer network during this period, the substantial majority of builder/dealers who ceased to be part of the Company's authorized builder/dealer network were dropped by the Company for poor performance. In order to enhance its builder/dealer network, the Company began focusing in 1993 on identifying and dropping from its builder/dealer network poorly performing builders. The Company expects that it will continue to enhance its builder/dealer network by actively recruiting strong builders and dropping poorly performing builders. The Company anticipates that it will add approximately as many new authorized builders/dealers to its builder/dealer network as are terminated and, as a result, the Company expects the number of authorized builder/dealers will remain relatively constant over the next two years, although there can be no assurance of this.

The Company's Heavy Fabrication division is a specialty engineering group that combines the Company's metal buildings technology with conventional construction techniques and applications to design and engineer large, complex buildings. This division markets primarily to major architectural and engineering firms, large general contractors and ABC builder/dealers. The Company anticipates that its national accounts program (described below) will enhance the growth of the Heavy Fabrication division by assisting it in closing orders and developing relationships with prospective partners such as major engineering, architectural and construction firms. The Company also believes that its Heavy Fabrication division offers its builder/dealer network an additional service.

The Company's Roofing and Components Group's sales force markets metal roofing products and secondary components to both the Company's authorized builder/dealer network and to preferred roofing contractors. The Company believes that roofing contractors are far more likely to be contacted by a building owner when a new roof is needed, and, accordingly, the Company established a network of preferred roofing contractors to market its metal roofs. The Company devotes a separate sales, engineering and customer service organization to the distribution of non-residential roofing products. By having a separate organization whose compensation is tied directly to the sales of roofing products, the Company believes it has created a more motivated work force than if it used its established metal building systems sales organization. As with its metal building systems builder/dealer network, the Company supports its contractors with sales and pricing information, design and engineering manuals, a full-time customer service representative and training for the roofer's personnel.



In late 1992, the Company reinstated its national accounts program, which focuses on developing business from large, frequent builders and users of metal buildings and relationships with major engineering, architectural and construction firms. The Company believes that a national accounts program allows it to establish relationships with large industrial and retail companies on their specific projects, which it can then refer to local builders who may not have a relationship with such company at the corporate level. The Company believes this will further strengthen ABC's relationships with its strongest builders and assist in recruiting new builders. ABC believes this program benefits its Heavy Fabrication, Roofing, Components and Metal Building Systems divisions.

Windsor Door markets to the residential and non-residential commercial, industrial and self-storage door market through a network of approximately 400 independent distributors and 31 Company-owned distribution centers. Products include sectional garage doors and rolling steel doors. Windsor also has a contract manufacturing business specializing in steel stampings. These products are sold by an in-house sales force calling on targeted accounts.

Design and Engineering

The manufacture and marketing of metal building systems depend significantly upon engineering and design capability and capacity. Metal building systems must be designed to meet end-users' requirements and to satisfy applicable local building codes.

The Company's metal building systems are typically planned and designed by the builder using Spectrum, which was introduced in 1991 to enhance the productivity of the sales and estimating functions. The Spectrum database, which is periodically updated, includes all local building codes, the Company's products and prices therefor, delivery costs and design features. The Spectrum software system allows a builder to produce complete cost data and computer generated drawings for most of the Company's metal building systems. Spectrum produces purchase order documentation, and supports builders by compiling specification reports, proposals and other sales related documentation designed to support the builder's selling efforts. Since the pricing of the building to the builder is included in the Spectrum software, the calculation of project costs is on-line, thereby eliminating the time consuming process of pricing a building component by component from a catalogue. The system further enables the Company's builder/dealer network to rapidly design projects and allows the Company and its builders to price projects to achieve desired margins. Furthermore, Spectrum provides builders with the flexibility to make modifications to the design of the project and receive instant cost data and project renderings reflecting such changes. Although several of the Company's competitors have also introduced design, estimating and ordering software for use by their builders, the Company believes Spectrum's ease of use provides a competitive edge to ABC's builders. Approximately 95% of ABC's builders are currently trained and licensed to use Spectrum.

Typically, a builder estimates a metal building system using Spectrum. However, there may be projects, generally for large or complex buildings, which require the builder to seek estimating and design assistance from the Company. In these cases, the initial Spectrum designs are improved upon by the Company's sales and engineering departments, working in close coordination with the builder, in an attempt to determine the most cost-effective design within the guidelines provided by the end-user or the architect or engineer working on the project.

The Company has also developed a personal computer-based proprietary design, estimating and ordering software system, Summit, to enhance the productivity of the sales and estimating functions for the



metal roofing market. Summit, which the Company introduced in April 1994, operates similarly to Spectrum. Approximately 89% of the Company's preferred roofing contractors are currently trained and licensed to use Summit.

After receipt of an order that has been priced using the pre-design features of Spectrum, the Company's engineering department develops actual engineering design, construction and fabrication drawings to fulfill the order requirements. The engineering department ensures that the order, the drawings and the estimate agree. Change orders are developed to correct any discrepancies and to address any changes after the order is received. The project is then engineered to meet the local building code requirements, job specific characteristics and customer specifications. This includes, but is not limited to, addressing the member sizes needed to resist live loads, collateral loads, snow loads and seismic forces. This design data is then utilized to develop the construction drawings and fabrication drawings. The construction drawings are furnished to the builder for construction and permit purposes. The fabrication drawings are furnished to the plants, either in hard copy or electronically, as needed for fabrication.

As part of a strategy to bring engineering services closer to its dealers, ABC operates eleven decentralized engineering services centers across the U.S. to increase the Company's ability to provide value added engineering support and increase flexibility in addressing dealers' and customers' needs.

Manufacturing

Once the specifications and designs of the customer's project have been finalized, the manufacturing process begins. The fabrication of the primary structural framing consists of a process in which pieces of rigid steel plates and bar stock are sheared and punched, routed through a semi-automatic welding machine and sent through further fitting and welding processes. This process is the most labor intensive in the fabrication of metal building systems.

The secondary structural framing and the covering subsystem are roll-formed steel products. In roll forming, coils of steel are decoiled and passed through a series of progressive forming rolls which shape the steel into various profiles of medium-gauge structural shapes and light-gauge sheets and panels. The fabrication of the secondary framing and covering subsystems is more automated than that of the primary structural framing.

Structural framing members and covering subsystems are shipped to the job site for assembly by local builders or independent erectors. ABC generally is not responsible for any on-site construction, although employees of the Company's marketing and engineering departments may monitor the project until completion. The time elapsed between the Company's receipt of an order and shipment of a completed building system historically ranges from four to ten weeks, depending upon the backlog at each manufacturing facility.

The Windsor Door manufacturing process involves custom built roll formers for door sections and door track production, spring winders and plastic extrusion equipment. Doors are assembled on automated assembly lines. The manufacturing process for metal stampings involves custom dyes used on metal press equipment.

The Company operates ten manufacturing facilities. Because of the significance of freight and delivery charges to the delivered cost of metal building systems, the Company believes it is advantageous to sell and deliver its products within a 500 mile radius of its manufacturing facilities. Metal building systems and roofing and architectural products are manufactured at the Eufaula, Alabama; El Paso, Illinois; Carson City, Nevada;



and La Crosse, Virginia plants. The components division operates out of a leased facility in Birmingham, Alabama. Light commercial steel framing systems and roof trusses are manufactured at a leased facility in Atlanta, Georgia. ABC's coil painting plant is located in Birmingham, Alabama. Doors are manufactured in Little Rock, Arkansas and Olivehurst, California. Metal stampings are manufactured at a leased facility in Little Rock, Arkansas. In addition, the Company owns a manufacturing facility in North Carolina where it manufactured modular buildings. The Company has discontinued this business and intends to sell the facility once it has ceased all operations at the facility. See "Item 2. Properties."

Products and Services

The Company conducts its business through 10 operating divisions, Buildings, Roofing, Heavy Fabrication, Self Storage, ABC Components, Steel Components Systems, Polymer Coil Coaters, Windsor Door, Light Commercial and ABC Transportation, which are organized by markets. These divisions complement each other through a combination of common distribution channels, common manufacturing facilities or vertical integration of products or services. The Construction Products Group, which consists of the Buildings Group (consisting of the Buildings, Heavy Fabrication and Self Storage divisions) and the Roofing and Components Group (consisting of the Roofing, ABC Components and Steel Components Systems divisions) all use as a distribution base the Company's nationwide network of approximately 1,120 authorized builder/dealers, with the Roofing and Components Group expanding from that base to other distribution networks. Products for these Groups are manufactured in the Company's four metal building systems manufacturing facilities. Because the primary structural framing is the most labor intensive portion of the manufacturing process, capacity for roofing and steel component parts exists even when the primary structural lines are operating at full capacity. In addition, the Company has a manufacturing facility devoted solely to the manufacture of components. The Polymer Coil Coaters division paints coils for both the Buildings and the Roofing and Components Groups and the Windsor Door division. ABC's Light Commercial division was formed in late 1996 to address the market for light gauge steel framing and roof trusses. The Windsor Door division produces and markets steel sectional upward acting doors for residential, commercial and self-storage applications and rolling steel doors for industrial uses and has a contract manufacturing business specializing in metal stampings. The Company is utilizing its builder/dealer network to expand the market for the Windsor Door division's door products. The Company produces roll up doors for the Self Storage division and metal stampings for the Construction Products Group at its Windsor Door facilities. The ABC Transportation division transports raw materials to the Company's manufacturing facilities and delivers finished products to customers throughout the United States.

Buildings Group

The Buildings Group, which consists of the Buildings, Self Storage and Heavy Fabrication divisions, designs, engineers, manufactures and sells metal building systems for the low rise, non-residential construction market. Typical structures include factories, warehouses, distribution facilities, public buildings, schools, churches, healthcare facilities, aircraft hangars, showrooms, office buildings, retailing establishments, self-storage mini-warehouses and numerous other private sector and community purposes. The Company's metal building systems are custom-designed and engineered to meet the specific needs of the end-user and to allow for easy on-site assembly by builders or independent erectors. Each building system is manufactured for a specific customer order. The Company's average order size is $52,000, representing a building of approximately 11,800 square feet in size, although the Company frequently provides larger buildings of up to one million square feet or more.

The metal building systems manufactured by the Company are comprised of (1) primary structural framing, (2) secondary structural framing, and (3) the covering system, which includes the roof, walls and trim. The building system is designed to support externally applied loads.

Primary Structural Framing. The primary structural framing, fabricated from steel plate and bar stock, supports the secondary structural framing, roof and walls. Through the primary framing, the force of all applied loads is structurally transferred to the foundation.

Secondary Structural Framing. The secondary structural framing consists of medium-gauge, roll-formed steel components called purlins and girts. Purlins are attached to the primary frame to support the roof. Girts are attached to the primary frame to support the walls. The secondary structural framing is designed to strengthen the primary structural framing and efficiently transfer applied loads from the roof and walls to the primary structural framing.

Covering System. The covering system consists of roof and wall panels. These panels not only lock out the weather but also contribute to the structural integrity of the overall building system. Roof and siding panels are fabricated from light-gauge, roll-formed steel. Accessory components, such as doors, windows, gutters and interior partitions, complete the metal building system.

The Heavy Fabrication division is a specialty engineering group which is responsible for the design of large, complex building structures such as heavy industrial facilities, exhibition halls, athletic and event centers, airplane maintenance facilities and cogeneration and waste-to-energy facilities. This division's design/build approach combines conventional construction techniques and applications with the advantages of the Company's metal building systems to design and engineer large complex buildings. Typically, over one-half of the fabrication for these projects is done by the Company's plants and the balance by outside structural fabricators. Heavy Fabrication's larger projects included two steel mills (one each in Indiana and Illinois) and a fiberboard plant in Arkansas in 1996, a second steel mill in Indiana, a large aircraft hanger in Georgia and a mining facility in Chile in 1997, and two large aircraft hangars (one each in Oklahoma and Texas) and a large industrial facility in Illinois in 1998.

Roofing and Components Group

The Roofing division manufactures and markets metal roofing systems that can be installed on any type of building, metal systems construction or conventional, new or existing. The Company's engineers work closely with architects and contractors to design custom roofing systems according to exact building specifications. The Company's roofing systems can be adapted to suit a wide variety of architectural and design specifications. ABC's roofing systems consist of secondary framing and roofing panels of coated cold-rolled steel. The roofing panels are galvanized or galvalume coated for higher corrosion resistance. Metal roofing systems can be painted in a number of colors, which is becoming an increasingly important trend in commercial and pubic sector construction. The majority of the Company's roofing systems are standing seam roofs which ABC believes have considerable advantages over conventional roofing materials. Standing seam roofs reduce the potential for leaks because there are fewer through-the-roof fasteners and the seams stand up to three inches above the roof drainage plane. By means of a substructure of light gauge steel members, slope can be imposed on any roof. Panels are locked together as a seam raised above the roof drainage plane. In addition, when required by design, the use of movable clips to attach the roof panels to the structural support system allows the roof surface to "float" over its structural supports, enabling the roof panels to expand and contract with fluctuations in temperature without developing cracks, fissures and other common causes of roof



leakage. The increased longevity of standing seam metal roofing systems has led to greater market acceptance. The Company believes that such systems will continue to gain market share from conventional roofing materials. The following are the advantages of metal roofing systems over conventional roofing materials:

Lower Lifecycle Cost - The total cost over the life of metal roofing systems is lower than that of conventional roofing systems for both new construction and replacement roofing. For new construction, the cost of installing metal roofing is equal to the cost of conventional roofing, and the longer life and lower maintenance costs of metal roofing make the total cost much more attractive. For replacement roofing, although installation costs are 60 to 70 percent higher for metal roofing due to the need for a sloping support system, the lower ongoing costs more than offset the initial expenditure.

Longevity - Metal roofing systems last for twenty to thirty years without requiring major maintenance or replacement, compared to five to ten years for conventional roofs. The cost of leaks and roof failure can be very high, including damage to building interiors and disruption of the functional usefulness of the building. Metal roofing prolongs the intervals between costly and time-consuming repair work.

Aesthetics - Metal roofing systems allow architects and builders to integrate colors and geometric design into the roofing of new and existing buildings, providing a new and increasingly fashionable means of enhancing a building's aesthetics. Conventional roofing material is generally unsightly tar paper or a gravel surface, and building designers tend to conceal roofs made with such materials.

The Company's roofing systems meet all necessary and appropriate industry codes and specifications. All orders received by ABC for roofing and architectural products are fabricated in the Company's plants.

The Components division manufactures and markets secondary components, which consist of wall and roofing panels, trim and other metal building accessories. This division primarily serves the general construction industry, frame fabricators who do not have production capability other than primary frames, and the Company's builder/dealer network. These customers use the components for repair and replacement jobs, or as parts for small buildings.

Polymer Coil Coaters

The Polymer Coil Coaters division paints steel coils. This division's facility is located in Birmingham, Alabama, adjacent to the U.S. Steel Division of USX Corp.'s plant, providing the Company with substantial cost advantages with respect to services performed for U.S. Steel. Approximately 25%, 20% and 22% of the division's gross sales for 1996, 1997 and 1998, respectively (before intercompany eliminations), were to the U.S. Steel Division for that division's customers who desired painted (as opposed to unpainted) coil. Approximately 51%, 55% and 51% of Polymer Coil Coaters' gross sales for 1996, 1997 and 1998, respectively (before intercompany eliminations), were to the Company and the balance to industrial customers. In October 1995, the Company began a $3.5 million capital expenditure program for new coater heads and a 40% increase in line speed to increase capacity at the facility, which was completed in January 1997. U.S. Steel recently added a new galvanizing/galvalume line at its Birmingham, Alabama plant. The Company believes its ability to add additional lines at its existing facility is limited by local environmental regulations, particularly those relating to air pollution. See "--Competition."



Transportation

The ABC Transportation division transports raw materials to the Company's manufacturing plants and delivers finished goods to customers around the United States. This division operates approximately 149 leased truck cabs and approximately 376 leased flatbed trailers. The Company believes that operating its own transport service enhances the quality of services provided by it to its builder/dealer network. This division also transports materials for third party customers. The Company's ABC Transportation subsidiary is an ICC-licensed common carrier, licensed to carry all types of materials other than explosives and household goods.

Light Commercial

The Company formed this division in December 1996 to pursue the light gauge steel framing and roof truss market. It currently provides these products to the low-rise commercial structures market in Atlanta, Georgia and surrounding areas.

Windsor Door

In December 1997 the Company acquired substantially all the assets, and assumed certain liabilities, of the Windsor Door division of United Dominion Industries, Inc. The Windsor Door division, headquartered in Little Rock, Arkansas, is the industry's fourth largest producer/marketer of steel sectional upward acting doors for residential, commercial and self-storage applications. The division also produces rolling steel doors for industrial uses and has a contract manufacturing business specializing in metal stampings. Door products are sold through independent distributors and company-owned distribution centers. The Division operates two plants in Little Rock and a plant in Olivehurst, California, and has 31 Company-owned distribution centers. In July 1998, the Windsor Door division acquired a California distributor of steel sectional upward acting doors for residential application.

International Opportunities

As part of its effort to increase the Company's presence in international markets, in August 1995 ABC and China Renaissance Industries, L.P., a partnership formed to invest in non-listed enterprises in The People's Republic of China, formed a joint venture to pursue the manufacture of metal building systems in the PRC and their sale throughout most of Southeast Asia (the "Territory"). ABC has a 30% interest in the joint venture, and exclusively licensed to the joint venture on a royalty-free basis the right to use certain of ABC's technology to pursue the manufacture and sale of metal building systems in the Territory. The joint venture completed its initial manufacturing facility in the PRC in October 1996. ABC received a technology license fee of $1.5 million, of which $750,000 was paid in each of 1995 and 1998. ABC invested approximately $4.5 million in the joint venture through the end of 1998. The Company is marketing its products in Asia, Brazil and certain other Latin American countries, and is currently developing a dealer network in Latin America to facilitate its sales there.

Suppliers

The principal raw material used in the manufacture of the Company's metal buildings, metal roofing, doors and components is steel. Components are fabricated from commonly available steel products produced by mills including bars, plates and cold rolled gauge and galvanized sheeting. In 1998, the Company purchased



approximately 46% of its steel requirements from two steel companies, the largest of which accounted for approximately 27% of the Company's steel purchases. Since the steel required for the Company's operations currently is available from a number of domestic and foreign suppliers at competitive prices and the Company has not to date experienced any significant quality or delivery problems with its current suppliers, the Company has not traditionally maintained an inventory of steel in excess of its current production requirements. However, there can be no assurance that steel will remain available or that prices will remain stable. If the available supply of steel declines, or if one or more of the current sources for any reason is unable to meet the Company's requirements, the Company could experience price increases, a deterioration of service from its suppliers, or interruptions or delays that may cause the Company to fail to meet delivery schedules to its customers. The Company believes it obtains delivery and service benefits from its suppliers because it concentrates its purchases among a small number of them; nonetheless, there can be no assurance that these benefits will continue to be realized in the future.

Backlog

At December 31, 1998, the total backlog for orders believed by the Company to be firm was $104.4 million, all of which the Company expects to fill during the current fiscal year. This compares with a total backlog of $95.5 million at December 31, 1997, $80.9 million at December 31, 1996, $56.3 million at December 31, 1995 and $76.0 million at December 31, 1994. Job orders, including those believed by the Company to be firm, generally are cancelable by customers at any time for any reason, although the customer is obligated to pay any costs incurred by the Company prior to cancellation of an order. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Warranties

The Company provides three different warranties for its metal building products. First, the fabricated steel portion of the product carries a one-year warranty against defective material and workmanship. Second, an extended material warranty is provided by the Company's suppliers and passed through to the Company's customers. These material warranties relate to long-life paint (20 years), Premium 70, a prepainted galvanized steel (20-25 years), and galvalume aluminized or zincalume steel (20 years). Third, a twenty-year weather-tightness warranty against leaks under normal weather and atmospheric conditions is available for standing seam roofs. Windsor Door has a one-year warranty for defective material or workmanship. Additionally, certain model doors have a limited 10-year or lifetime rust through warranty to the original owner. Historically, claims under these warranties have been immaterial.

Competition

On the basis of data reported by the MBMA, the Company's 1998 sales of metal building systems products constituted approximately 11.9% of reported industry sales, placing it as the fourth largest domestic manufacturer behind the Building Systems division of Butler Manufacturing Company, NCI Building Systems, Inc. and the Varco-Pruden Buildings Division of LTV Steel Corporation, which accounted for approximately 18.6%, 14.5% and 12.4%, respectively, of total 1998 industry sales reported by the MBMA. Other major competitors include the Star and Ceco Divisions of Robertson-Ceco Corp. and Associated Buildings. Several of the Company's competitors have greater financial resources than the Company. The Company believes its American Buildings brand is the third largest brand behind the Butler and Varco-Pruden brands. Competition in the metal buildings industry is intense and is based primarily on price, service, quality of the builder/dealer network and the ability to provide added value in the design of a building. The Company's ability to expand



its market share depends in part on its ability to persuade builders to market the Company's products in lieu of those of its competitors, attract conventional contractors to the metal buildings industry and develop a separate network of preferred roofing contractors to market its roofing products. In addition, the Company and others in the metal building systems industry compete with alternative methods of building construction. Although the Company maintains metal building manufacturing facilities in Alabama, Illinois, Nevada and Virginia, the Company's ability to quote competitive prices to customers located more than 500 miles from one of these facilities may be limited because of the significance of freight and delivery charges to the cost of metal buildings. Foreign companies are not presently a significant factor in the domestic marketplace, and the Company does not expect them to be in the near future, mainly because of transportation costs and the short lead times generally required by customers.

The Roofing and Components Group competes with numerous suppliers of roofing and component parts as well as other metal buildings systems manufacturers.

There are currently four other companies engaged in painting steel coil in the southeastern United States. The Company believes that the recent addition of two of these facilities has resulted in overcapacity for steel coil painting in the southeastern United States and has created competitive pressure. However, the Company believes that its location adjacent to a U.S. Steel plant provides it with substantial cost advantages with respect to services performed for U.S. Steel.

In the upward acting, or garage door, manufacturing industry, there are five "full-line" firms which serve a national base of customers. ABC estimates that these companies have about 83% market share. The Windsor Door division's current market share is estimated by ABC to be approximately 8%, ranking it fourth. Clopay Corporation and Wayne Dalton Corporation are believed to be the two largest manufacturers, with Overhead Door Corporation also being larger than Windsor.

Regulatory Matters

The Company's manufacturing facilities are subject to many federal, state and local requirements relating to the protection of the environment. The Company believes it is in compliance in all material respects with environmental standards applicable to its operations. The Company does not anticipate material capital expenditures to meet current environmental quality control standards, but there can be no assurance that more stringent regulatory standards will not be established which might require such expenditures. The metal building systems manufactured by the Company must meet zoning and building code requirements promulgated by local governmental agencies.

The Company's operations are also governed by laws and regulations relating to workplace safety and worker health, principally the Occupational Safety and Health Act and regulations thereunder which, among other requirements, establish noise and dust standards. Management believes that it is in substantial compliance with these laws and regulations and does not believe that future compliance with such laws and regulations will have a material adverse effect on its results of operations, liquidity or financial condition.

Patents, Licenses and Proprietary Rights

The Company has a United States patent on its standing seam roof system. The Company uses various trade names and trademarks in the conduct of its business but has not registered such names or marks with any governmental authorities.

Employees

At December 31, 1998, the Company employed approximately 2,850 people, of whom approximately 155 were general and administrative personnel, approximately 230 were sales personnel, approximately 430 were engineering personnel, and the remainder were production workers (including drivers). The hourly production and maintenance employees of the Company's Polymer Coil Coaters Division and Windsor Door Division's Arkansas and California manufacturing facilities are represented by labor unions; the remainder of the Company's employees are not represented by a labor union or a collective bargaining agreement. The Company regards its employee relations as excellent.

Company History

The Company and its predecessors have been engaged in the manufacture and marketing of metal building systems since 1947. In July 1986, a management group led by the Company's chief executive officer at that time, together with a private investment firm, acquired the Company and Polymer Metals, Inc. from Cronus Industries, Inc. in a $106.1 million leveraged buyout (the "1986 LBO"). Financing for the 1986 LBO consisted of $51.5 million of senior debt, $45.0 million of senior and subordinated notes, $4.2 million of cash on hand, and approximately $5.4 million of equity. Following the 1986 LBO, the Company operated under significant cash constraints and, in response thereto, the Company sold certain of its non-core businesses, leased its Texas manufacturing facility, which took the Company out of a significant market and resulted in decreased sales and closed two manufacturing facilities in Iowa and Ohio in order to cut costs. During the period following the 1986 LBO until the Restructuring (defined below) was effected, the Company was able to retire $28.4 million of acquisition indebtedness through sales of assets and cash flow from operations. By the end of 1990, the Company was experiencing significant financial difficulties as a result of its negative net worth and substantial interest payments, which severely limited the Company's capital spending and working capital. As a result of the cash constraints and the general decline in total metal buildings industry sales, the Company's net sales decreased from $162.2 million in 1989 to $117.7 million in 1991, the Company incurred net losses in each of 1989, 1990 and 1991, and the Company's metal buildings industry market share decreased from 8.9% in 1989 to 8.4% in 1990 before increasing to 8.6% in 1991.

In March 1991, the Company's debt and equity holders completed a financial restructuring (the "Restructuring"), effective December 31, 1990, pursuant to which the Company restructured its senior term and revolving credit loans and $21.5 million of subordinated debt from the 1986 LBO was converted into 1,644,174 shares of Common Stock, representing 77.5% of the Company's then outstanding Common Stock. In the Restructuring, the subordinated debt holders gained control of the Company's Board of Directors. The Restructuring was accounted for as a "quasi-reorganization," an elective accounting procedure that permits a company emerging from financial difficulty to restate its accounts and establish a fresh start in an accounting sense. The Restructuring permitted ABC to meet all of its debt service obligations, although ABC remained highly leveraged. Despite the Company's continued capital constraints during 1992, the Company's revenues grew from $117.7 million in 1991 to $134.4 million in 1992, and the Company's metal buildings industry market share increased from 8.6% to 9.7%.

In January 1993, ABC completed a recapitalization sponsored by Sterling Ventures Limited in conjunction with New Street Capital Corporation (the "Recapitalization"), which reduced interest expense, retired higher rate debt and provided the Company with greater operating flexibility to pursue its growth strategy and to invest in its businesses through its capital expenditures program. In May 1994, the Company completed an initial public offering of an aggregate of 1,825,000 shares of Common Stock at a purchase price



of $10.00 per share in an underwritten public offering managed by Dean Witter Reynolds Inc. and Prudential Securities Inc. In addition, certain stockholders of the Company sold an aggregate of 1,016,757 shares of Common Stock in such offering. The net proceeds to the Company of the offering were used to repay long-term debt. The Company incurred an extraordinary loss of $2.4 million (net of applicable income tax benefit of $1.5 million) resulting from the write-off of the deferred financing costs and unamortized discount related to the early extinguishment of debt with the proceeds of the offering. In July 1995, certain stockholders of the Company sold an aggregate of 1,466,250 shares of Common Stock at a price of $22.00 per share in an underwritten public offering managed by Dean Witter Reynolds Inc. and Wheat First Butcher Singer.

Beginning in 1992, following the 1991 Restructuring and the appointment of Robert Ammerman as Chief Executive Officer and accelerating in 1993, 1994 and 1995 with the financial flexibility provided by the Recapitalization and the Company's initial public offering, the Company began to pursue several strategic initiatives to strengthen its core operations and to rebuild its metal buildings industry market share. These strategic initiatives initially included aggressive pricing of its products, but subsequently focused on enhancement of ABC's builder/dealer network. The Recapitalization and the initial public offering have enabled the Company to pursue a business strategy focused on increasing long-term profitability through enhancement of its strong builder/dealer network, technological innovations, cost efficiencies, internal investment and capacity expansion. As a result, the Company's metal buildings industry sales increased 14.8% in 1992, while metal buildings industry sales were flat, and the Company's metal buildings industry sales increased 24.8%, 23.9% and 40.3% in 1993, 1994 and 1995, respectively, while metal buildings industry sales increased 16.1%, 26.0% and 18.1%, respectively, as the U.S. economy emerged from the economic recession that began in 1989. The Company's metal buildings industry sales decreased 3.9% in 1996, while metal buildings industry sales were flat, and increased 11.3% in 1997, while industry sales increased 12.2%. Furthermore, ABC's domestic metal buildings industry market share (which is measured in terms of sales dollars shipped as opposed to sales orders received) increased from 8.6% in 1991 to 9.7% in 1992, and 10.4% in 1993, before decreasing to 10.2% in 1994. ABC's domestic metal buildings industry market share increased to 11.9% in 1995, but decreased to 11.6% in 1996 and to 11.5% in 1997. The decrease in market share in 1994 was primarily attributable to the high product demand which exceeded the Company's manufacturing and engineering capacity. The Company believes that the establishment of new engineering service centers as well as the completion of the Company's new Virginia facility in 1995, have alleviated these capacity constraints. The decrease in sales and market share in 1996 was primarily due to lower backlog at December 31, 1995 resulting from increased capacity in 1995 and lowering of sales prices in the first half of 1996 to stimulate new business. In addition, the unusually severe weather in the eastern half of the United States in early 1996 also adversely affected 1996 sales. The slight decrease in metal buildings market share in 1997 was primarily due to the Company's focus on improving margins and optimizing backlog. The increase in market share in 1998 to 11.9% of reported industry sales resulted primarily from better builder recruiting and utilization of the Company's Carson City, Nevada manufacturing facility. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

In November 1996, the Company acquired the Liberty, North Carolina manufacturing facility of American Modular Technologies, L.L.C. for the manufacture of modular buildings. In December 1998 the Company determined to close this division. Operations of the division will be phased down throughout 1999, as the Company has ceased taking new orders but continues to meet contractual obligations of in-process business. The Company has accounted for this transaction as a discontinued operation and recorded a loss from operations of $1.4 million (net of income tax benefit) and a loss on disposal of $1.7 million (net of income tax benefit). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."



EXECUTIVE OFFICERS OF THE COMPANY

The executive officers and key employees of the Company are as follows:

| Name | Age | Present Position with the Company |
|---|---|---|
| Robert T. Ammerman | 59 | Chief Executive Officer and Director |
| R. Charles Blackmon, Jr. | 49 | Executive Vice President--Chief Financial Officer |
| Byron L. Brumfield | 55 | Vice President--Human Resources |
| William R. Buchholz | 55 | Vice President--Operations |
| R. Howard Burns | 58 | President--Windsor Door Division |
| Richard B. Haws | 42 | President--Light Commercial Division |

| | | |
|---|---|---|
| William W. Riley | 66 | President of ABC Transportation Company |
| Anne M. Savage | 43 | Controller |
| Roy L. Smith | 60 | Vice President--Polymer Division |
| Joel R. Voelkert | 50 | President--Construction Products Group |

Mr. Ammerman has been Chief Executive Officer and a director since joining the Company in July 1992, and served as President from July 1992 through August 1996. From 1973 until he joined the Company, Mr. Ammerman was employed by United Dominion Industries, Inc. and its affiliates, including Varco-Pruden Buildings, a manufacturer of metal buildings. Mr. Ammerman served in various capacities, including Vice-President/General Manager Eastern Division of Varco-Pruden Buildings and President of the Buildings segment of United Dominion Industries, Inc., which included Varco-Pruden Buildings, Stran Buildings and AEP/Span. Mr. Ammerman was Chairman and a member of the Executive Committee of the Metal Building Manufacturers Association in 1995.

Mr. Blackmon has been Executive Vice President--Chief Financial Officer of the Company since August 1996. Mr. Blackmon served as Vice President--Chief Financial Officer of the Company from October 1994 to August 1996, as Vice President--Finance and Administration of the Company from May 1992 to October 1994, as Controller of the Company from 1982 to May 1992 and as Assistant Controller from 1981 to 1982.
Mr. Blackmon is a CPA.

Mr. Brumfield joined the Company as Vice President--Human Resources in August 1995. From July 1984 until he joined the Company, Mr. Brumfield served in various human resources corporate positions with



Hercules Inc., a major chemical company. Prior to that he was employed in the aerospace, aluminum and hardboard industries for 20 years.

Mr. Buchholz has been Vice President--Operations of the Company since January 1991. Mr. Buchholz is responsible for all manufacturing operations and purchasing. From May 1979 to December 1990, Mr. Buchholz served the Company in various capacities, including Manager of Industrial Engineering and plant manager of the Company's former Houston facility.

Mr. Burns has been President of the Windsor Door division of the Company since joining the Company in December 1997 in connection with the Company's acquisition of the Windsor Door division of United Dominion Industries, Inc. Mr. Burns joined the predecessor of the Windsor Door division as President in 1986. Prior to joining Windsor Door, Mr. Burns served in various positions for Ceco Door Products Corporation, a division of The Ceco Corporation, including Vice President -- Manufacturing.

Mr. Haws joined the Company as President--Light Commercial Division in December 1996. Prior to joining ABC, he was Manager-Light Construction of American Iron and Steel Institute from October 1990 to November 1996 and Senior Development Engineer for H.H. Robertson from March 1989 to September 1990.

Mr. Riley has been President of ABC Transportation Company since November 1992, and served as Vice President/General Manager of ABC Transportation Company from September 1979 until his election as President.

Ms. Savage has been Controller of the Company since January 1994. She joined the Company in April 1993 as Manager of Customer Financial Services. From May 1983 until she joined the Company, Ms. Savage was employed by United Dominion Industries, Inc. and held financial positions at its corporate office and two of its metal building industry operating divisions, Varco-Pruden Buildings and Stran Buildings. Prior to joining United Dominion Industries, Ms. Savage was an audit manager at Ernst & Young. Ms. Savage is a CPA.

Mr. Smith has been Vice President--Polymer Division since July 1986 and since January 1981 has also served as President of Polymer Coil Coaters and its predecessors. Prior to joining ABC, Mr. Smith was employed by United States Steel Corporation (now known as USX Corp.) for 15 years in various capacities including General Manager of Galvanizing Finishing.

Mr. Voelkert has been President--Construction Products Group of the Company since August 1996. From April 1991 to August 1996 Mr. Voelkert served as Vice President--Sales and Marketing of the Company. Prior thereto, Mr. Voelkert served in various capacities with the Company since joining in 1976, including as General Sales Manager, General Manager of Marketing Services, Director of Marketing and District Sales Manager--Florida and the Caribbean. Mr. Voelkert was responsible for starting the roofing and architectural division in 1987.



ITEM 2. PROPERTIES

Because of the significance of freight and delivery charges to the delivered cost of metal building systems, the Company believes it is advantageous to sell and deliver its products within a 500 mile radius of its manufacturing facilities. The following sets forth certain information with respect to each of the Company's operating facilities:

| Location/Purpose | Area | Owned or Leased |
|---|---|---|
| Eufaula, Alabama/Executive Office and Manufacturing Facility.................................. | 295,000 square feet<br>48.2 acres | Owned |
| Atlanta, Georgia/Manufacturing Facility.................. | 30,000 square feet | Leased |
| Birmingham, Alabama/Manufacturing Facility............... | 84,000 square feet<br>6.0 acres | Owned |
| Birmingham, Alabama/Manufacturing Facility............... | 56,000 square feet | Leased |
| Little Rock, Arkansas/Manufacturing Facility............. | 250,000 square feet<br>18.3 acres | Owned |
| Maumelle, Arkansas/Manufacturing Facility................ | 181,000 square feet | Leased |
| Olivehurst, California/Manufacturing Facility............ | 110,000 square feet<br>20 acres | Owned |
| El Paso, Illinois/Manufacturing Facility................. | 182,000 square feet<br>10.3 acres | Owned |
| Carson City, Nevada/Manufacturing Facility................................................ | 142,000 square feet<br>18.8 acres | Owned |
| Liberty, North Carolina/Manufacturing Facility........... | 160,000 square feet<br>29.3 acres | Owned(3) |
| La Crosse, Virginia/Manufacturing Facility................................................ | 197,000 square feet<br>28 acres | Owned |

The Company also leases 31 distribution centers for its Windsor Door products and a 156,000 square foot facility in Jamestown, Ohio which is currently not being utilized in the Company's operations. This facility ceased operations in October 1990 as part of ABC's cost cutting efforts in response to cash constraints resulting from its 1986 leveraged buyout. See "Item 1. Business--Company History."

All of the Company facilities are in good operating condition.

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(3) This facility was operated by the American Modular Technologies division, which the Company is in the process of shutting down. The facility will be offered for sale as soon as all operations cease, which is expected to occur during the second quarter of 1999. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."



ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings that are incidental to the conduct of its business. The Company is not involved in any pending or threatened legal proceedings which the Company believes could reasonably be expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

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

Not Applicable.



Part II.

ITEM 5. MARKET FOR THE REGISTRANTS COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Common Stock is quoted on the Nasdaq National Market under the symbol "ABCO". The Common Stock was initially offered to the public on April 28, 1994 at $10.00 per share. The following table sets forth for the periods indicated the high and low reported sale prices per share for the Common Stock as reported by the Nasdaq National Market.

| | High | Low |
|---|---|---|
| Year Ended December 31, 1997 | | |
| First Quarter ......................... | $ 29.00 | $23.375 |
| Second Quarter ........................ | $ 29.50 | $ 24.75 |
| Third Quarter ......................... | $30.125 | $ 26.00 |
| Fourth Quarter ........................ | $ 30.75 | $ 25.00 |

| | High | Low |
|---|---|---|
| Year Ended December 31, 1998 | | |
| First Quarter ......................... | $ 30.50 | $ 25.50 |
| Second Quarter ........................ | $ 34.75 | $28.375 |
| Third Quarter ......................... | $ 31.50 | $ 23.00 |
| Fourth Quarter ........................ | $ 24.75 | $ 20.00 |

The number of stockholders of record of Common Stock on March 17, 1999 was approximately 80. On March 17, 1999, the last reported sale price of the Common Stock as reported by the Nasdaq National Market was $19.75.

The Company has never paid cash dividends on the Common Stock. The Company's credit facility prohibits the payment of dividends.



ITEM 6. SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 | 1994 |
| | (in thousands, except per share data) | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Statement of Operations Data: | | | | | |
| Net sales ......................................... | $ 440,660 | $ 311,967 | $ 272,991 | $ 281,450 | $ 204,666 |
| Cost and expenses: | | | | | |
| Cost of sales ................................... | 368,941 | 256,285 | 228,321 | 228,088 | 164,694 |
| Selling, general and administrative ............. | 37,855 | 27,607 | 24,190 | 26,567 | 21,830 |
| | 406,826 | 283,892 | 252,511 | 254,655 | 186,524 |
| Operating income .................................. | 33,834 | 28,075 | 20,480 | 26,795 | 18,142 |
| Interest expense (income), net .................... | 4,981 | 1,061 | 143 | (175) | 1,369 |
| Income from continuing operations before income taxes ................................... | 28,853 | 27,014 | 20,337 | 26,970 | 16,773 |
| Provision for income taxes(1) ..................... | 11,108 | 10,401 | 7,830 | 9,380 | 6,318 |
| Income from continuing operations ................. | 17,745 | 16,613 | 12,507 | 17,590 | 10,455 |
| Discontinued operations(3): | | | | | |
| Loss from operations ............................ | (1,404) | (762) | (60) | -- | -- |

| | | | | | |
|---|---|---|---|---|---|
| Loss on disposal | (1,746) | -- | -- | -- | -- |
| Income before extraordinary item(2) | 14,595 | 15,851 | 12,447 | 17,590 | 10,445 |
| Extraordinary loss on early extinguishment of long-term debt(2) | -- | -- | -- | -- | (2,425) |
| Net income(1) | $ 14,595 | $ 15,851 | $ 12,447 | $ 17,590 | $ 8,030 |
| Earnings per share-Diluted(4): | | | | | |
| Income from continuing operations (1) | $ 3.15 | $ 2.94 | $ 2.07 | $ 2.68 | $ 1.81 |
| Discontinued operations(3): | | | | | |
| Loss from operations | (0.25) | (0.13) | (0.01) | -- | -- |
| Loss on disposal | (0.31) | -- | -- | -- | -- |
| Income before extraordinary item(2) | $ 2.59 | $ 2.81 | $ 2.06 | $ 2.68 | $ 1.81 |
| Extraordinary loss on early extinguishment of long-term debt(2) | -- | -- | -- | -- | (0.42) |
| Net income per common and common equivalent share(1)(4) | $ 2.59 | $ 2.81 | $ 2.06 | $ 2.68 | $ 1.39 |
| Weighted average number of common and common equivalent shares outstanding-Diluted(4) | 5,629 | 5,649 | 6,040 | 6,554 | 5,780 |

</TABLE>



<TABLE>
<CAPTION>

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 | 1994 |
| | | | (in thousands) | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Balance Sheet Data: | | | | | |
| Working capital | $ 46,060 | $ 34,293 | $ 12,965 | $ 27,116 | $ 18,182 |
| Total assets | 214,716 | 209,164 | 100,681 | 101,343 | 85,149 |
| Current maturities of long-term debt(5) | 5,236 | 13,839 | 970 | 970 | 1,863 |
| Long-term debt, net of current maturities | 67,774 | 71,395 | 10,753 | 7,760 | 12,376 |
| Stockholders' equity(6) | 70,745 | 55,796 | 41,466 | 53,511 | 37,075 |

</TABLE>

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(1) In 1995, the Company eliminated a valuation allowance on net operating loss carryforwards which resulted in a one-time reduction of its tax provision and corresponding increase in net income of $1,005,000, or $0.15 per share.

(2) In 1994, the Company incurred an extraordinary loss of $2,425,000 (net of applicable tax benefit of $1,436,000), resulting from the write-off of the deferred financing costs and unamortized discount related to the early extinguishment of its remaining senior notes with the proceeds from the Company's initial public offering.

(3) In December 1998, the Company announced the closing of its American Modular Technologies division ("AMT"), which it had acquired in November 1996. The transaction has been accounted for as a Discontinued Operation and resulted in the Company recording a loss from operations of discontinued operation of $1,404,000, net of applicable tax benefits of $878,000, and a loss from disposal of discontinued operation of $1,746,000, net of applicable tax benefit of $1,094,000, in 1998. Data for 1996 and 1997 were restated accordingly.

(4) The share and per share information for 1996, 1995 and 1994 has been restated to reflect share and per share information in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share," which was required to be adopted by the Company effective with its financial statements for the year ended December 31, 1997.

(5) Includes $10,624,000 at December 31, 1997 used to cash collateralize letters of credit issued by its previous lenders until replacement letters of credit are issued. As replacement letters of credit were issued in 1998, the cash was used to pay down the credit facility.

(6) Includes a reduction of $28,688,000, $28,451,000, $26,531,000 and $1,071,000 in 1998, 1997, 1996 and 1995, respectively, which represents the Company's purchases of Treasury Stock.

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

Statements in this Annual Report on Form 10-K concerning the Company's business outlook or future economic performance; anticipated profitability, revenues, expenses or other financial items; and product line growth, together with other statements that are not historical facts, are "forward-looking statements" as that term is defined under the Federal Securities Laws. Forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Such risks, uncertainties and factors include, but are not limited to, industry cyclicality, fluctuations in customer demand and order pattern, the seasonal nature of the business, changes in pricing or other actions by competitors, and general economic conditions, as well as other risks detailed in the Company's filings with the Securities and Exchange Commission, including this Annual Report on Form 10-K.

Results of Operations

1998 Compared to 1997

Net sales increased 41.2% to $440.7 million in 1998 from $312.0 million in 1997. Approximately three fourths of this sales growth is attributable to the inclusion of Windsor Door ("Windsor"), which was acquired in December 1997, for the full year with the balance attributable to growth in the Company's other core businesses. Backlog at December 31, 1998 of $104.4 million was 9.3% higher than backlog at December 31, 1997. Gross profit for 1998 increased 28.8% to $71.7 million from $55.7 million in 1997. Gross margins decreased to 16.3% in 1998 compared to 17.8% in 1997 primarily due to the decrease in margins in the Construction Products segment and the addition of Windsor, which historically operates at lower margins than those the Company had achieved in 1997. Selling, general and administrative expenses for 1998 increased 37.2% to $37.9 million from $27.6 million in 1997 primarily due to the inclusion of Windsor for the full year. As a percentage of net sales, these expenses decreased to 8.6% in 1998 from 8.8% in 1997 as a result of the Company's cost containment strategy to maximize cost reduction without adversely affecting long-term growth objectives. The Company had net interest expense of $5.0 million in 1998 compared to $1.1 million in 1997. The increase in interest expense resulted primarily from the Company's financing of the Windsor acquisition in December 1997 and the increase in working capital necessary to support the Company's sales growth. Income from continuing operations was $17.7 million in 1998, an increase of 6.8% over $16.6 million in 1997.

In December 1998, the Company decided to close its American Modular Technologies ("AMT") division, which is a modular buildings system manufacturer located in Liberty, North Carolina. AMT had been acquired in November 1996 and, despite efforts to strategically position itself in the market, was not able to sustain profitability. The Company has accounted for this transaction as a Discontinued Operation and recorded a loss from operations of AMT of $1.4 million, net of income tax benefit of $0.9 million, and a loss on disposal of AMT of $1.7 million, net of income tax benefit of $1.1 million, in its financial statements for the year ended December 31, 1998. The loss on disposal includes the write-down of long-lived assets of $0.25 million, severance costs of $0.30 million, legal, contract termination and various other shutdown costs of $0.35 million, estimated carrying costs of the closed facility of $0.36 million, and anticipated losses during the shutdown period of $1.58 million, less the related income tax benefits. Results for 1997 and 1996 have been restated accordingly. After absorbing the losses from discontinued operations, net income for 1998 was $14.6 million, a decline of 7.9% compared to $15.9 million in 1997.



Segment Results

Net sales of the Construction Products segment, which consists of the Company's Buildings Group and Roofing and Components Group, were $316.8 million, an increase of 9.4% over $289.6 million in 1997. Net sales in the Buildings Group (consisting of the Company's Metal Buildings, Heavy Fabrication, and Self-Storage divisions) were $260.4 million, up 9.5% from $237.8 million in 1997. This increase was primarily the result of a higher backlog entering the year and good order intake during the year. Net sales in the Roofing and Components Group (consisting of the Company's Roofing, ABC Components and Steel

Components divisions), increased 9.1% to $56.4 million from $51.8 million in 1997 due to continued increasing acceptance of metal in the roofing market, continued expansion of the preferred roofing contractor network and growth in the components business. The Company's metal buildings industry domestic market share, which is measured in terms of sales dollars shipped by the Construction Products segment, increased 3.5% to 11.9% from 11.5% in 1997. Operating profit in this segment decreased 13.2% to $24.1 million in 1998 compared to $27.7 million in 1997 as the Company incurred higher than normal costs in manufacturing burden and engineering as it struggled to accommodate higher production levels and record backlogs. The Company is addressing these issues and does not expect them to significantly affect the Company's operations in 1999.

The Door Products segment consists of Windsor which was acquired on December 4, 1997 and is a manufacturer and marketer of steel sectional upward acting doors for residential and commercial applications, rolling steel doors for industrial and self-storage applications and operates a metal stampings manufacturing business. Net sales of Windsor during 1998 were $104.7 million compared to $7.8 million for the one-month period for which it was owned by the Company during 1997. Segment operating profit of $6.9 million for 1998 was in line with expectations and compares to $0.7 million for the one-month period in 1997.

The Steel Coil Coating segment represents the Polymer Group. Gross sales of the Polymer Group increased 29.9% to $28.4 million from $21.8 million in 1997. Net sales after eliminations in the Polymer Group increased 41.3% to $13.9 million from $9.9 million in 1997 as the capacity expansion allowed the Group to increase its production for third party customers. Segment operating profit increased 38.5% to $6.8 million from $4.9 million in 1997. These increases were the result of further benefits achieved by the line speed upgrade completed in early 1997 which significantly increased the Group's production capacity.

Included in "Other" in the Segment disclosure table is the Transportation Group. Gross sales before eliminations in the Transportation Group increased 9.7% to $25.4 million from $23.1 million in 1997. Net sales after eliminations decreased 12.1% to $4.2 million from $4.8 million in 1997 due to the Group's devoting proportionately more of its capacity to accommodate the volume increase in the Construction Products segment which did not allow it to do as much hauling of third party loads.

1997 Compared to 1996

Net sales increased 14.3% to $312.0 million in 1997 from $273.0 million in 1996. Backlog at December 31, 1997 of $95.5 million was 18.0% higher than backlog at December 31, 1996. Gross profit for 1997 increased 24.7% to $55.7 million from $44.7 million in 1996. Gross margins increased to 17.8% in 1997 compared to 16.4% in 1996. This increase was primarily caused by higher volume, somewhat higher selling prices, and effective cost containment in the Construction Products segment. Gross margins in 1996 had been adversely affected by lower selling prices during part of the year resulting from the segment's strategy to be market and price aggressive in order to build backlog and better utilize expanded production capabilities. Selling, general and administrative expenses for 1997 increased 14.1% to $27.6 million from $24.2 million in



1996. As a percentage of net sales, these expenses decreased slightly to 8.8% in 1997 from 8.9% in 1996. The decrease resulted from the Company's cost containment strategy. The Company had net interest expense of $1.1 million in 1997 compared to $0.1 million in 1996. The increase in interest expense resulted partially from the Company's purchase of Windsor Door for $58.0 million in December 1997. The transaction was financed by borrowings under its new credit facility which it entered into concurrent with the acquisition. Prior to this transaction, interest expense was higher in 1997 due to higher Revolver borrowings during the year and a lower restricted cash balance on which the Company earned interest income. Income from continuing operations was $16.6 million in 1997, an increase of 32.8% over $12.5 million in 1996. AMT, which has been classified as a Discontinued Operation generated a loss of $0.8 million, after tax benefit of $0.5, in 1997 compared to a loss of $0.1, net of tax benefit, in 1996. Net income for 1997 was $15.9 million, an increase of 27.3% compared to $12.4 million in 1996.

Segment Results

Net sales of the Construction Products segment, which consists of the Company's Buildings Group and Roofing and Components Group, were $289.6 million, an increase of 11.3% over $260.2 million in 1996. Net sales in the Buildings Group (consisting of the Company's Metal Buildings, Heavy Fabrication, and Self-Storage divisions) were $237.8 million, up 10.4% from $215.4 million in 1996. This increase was primarily the result of a higher backlog entering the year and good order intake at somewhat higher prices throughout the year as well as the absence of the severe weather conditions which adversely affected the first quarter of 1996. Net sales in the Roofing and Components Group (consisting of the Company's Roofing, ABC Components and Steel Components divisions), increased 15.5% to $51.8 million from $44.8 million in 1996 due to continued increasing acceptance of metal in the roofing market, continued expansion of the preferred roofing contractor network and growth in the components business. The Company's metal buildings industry domestic market share, which is measured in terms of sales dollars shipped by the Construction Products segment, decreased slightly to 11.5% compared to 11.6% in 1996. Operating profit in this segment increased 36.7% to $27.7 million in 1997 compared to $20.3 million in 1996 as a result of higher volume at somewhat higher prices as well as effective cost containment.

The Door Products segment consists of Windsor, which was acquired on December 4, 1997. Net sales of Windsor during 1997 were $7.8 million for the one-month period for which it was owned by the Company during the year. Segment operating profit was $0.7 million for the one-month period in 1997.

The Steel Coil Coating segment represents the Polymer Group. Gross sales of the Polymer Group increased 18.8% to $21.8 million from $18.4 million in 1996. The increase was the result of the line speed upgrade completed in early 1997, which significantly increased the production capacity of this Group. Net sales after eliminations in the Polymer Group increased 10.1% to $9.9 million from $9.0 million in 1996 as the capacity expansion allowed the Group to increase its production for third party customers. Segment operating profit increased 44.6% to $4.9 million from $3.4 million in 1996 as a result of the margin opportunity provided by the line speed upgrade.

Included in "Other" in the Segment disclosure table is the Transportation Group. Gross sales before eliminations in the Transportation Group increased 12.6% to $23.1 million from $20.5 million in 1996. Net sales after eliminations increased 25.8% to $4.8 million from $3.8 million in 1996 due to increased revenues from hauling of third party loads.



Liquidity and Capital Resources

The Company has historically funded its operations from cash flows from operations, bank borrowings and sales of its debt and equity securities.

Net cash provided by operating activities was $8.2 million, $17.5 million and $14.1 million in 1998, 1997 and 1996, respectively. Income from continuing operations plus depreciation and amortization was $26.0 million, $21.6 million and $16.6 million in the same periods, respectively. For 1998 and 1997, cash provided by continuing operations was lower than income from continuing operations plus depreciation and amortization due to an increased investment in working capital which was required to support the Company's higher sales volume throughout the year. For 1996, cash provided by continuing operations was lower than net income plus depreciation and amortization due to an increased investment in working capital which was required to support fourth quarter 1996 volume.

Net cash used by discontinued operations was $1.8 million, $2.9 million and $2.1 million in 1998, 1997 and 1996, respectively.

Net cash used by investing activities was $8.6 million, $68.5 million, and $7.6 million in 1998, 1997 and 1996, respectively. For 1998, this was primarily the result of the acquisition of Rescom by the Door Products segment for $2.2 million, excluding cash acquired, the receipt of $2.5 million as an adjustment to the purchase price of Windsor, additions to property, plant and equipment of $8.8 million, and an additional investment in its China Joint Venture of $0.1 million. For 1997, this was primarily the result of the acquisition of Windsor Door for $58.7 million, including transaction costs of $1.0 million, and excluding $0.2 million of cash acquired. Also in 1997, the Company made additions to property, plant and equipment of $9.8 million, increased its investment in the China Joint Venture by $0.5 million and applied the remaining $0.5 million of Restricted Cash to capital expenditures related to the Virginia manufacturing facility. The Restricted Cash resulted from the proceeds of the Industrial Revenue Bond financing which was completed on December 7, 1994 for the construction of the new Virginia manufacturing facility. The Restricted Cash was drawn down as cash was expended and various phases of construction were completed on that facility. For 1996, this was primarily the result of additions to property, plant and equipment of $9.3 million and the investment in the China Joint Venture of $2.9 million partially offset by the application of $3.6 million of Restricted Cash to capital expenditures related to the Virginia manufacturing facility.

Net cash (used for) provided by financing activities was ($11.9) million, $70.5 million, and ($21.5) million for 1998, 1997 and 1996, respectively. For 1998, this was the net repayment of the Revolving credit facility of $9.0 million, long term debt repayments of $3.2 million and purchases of treasury stock of $0.2 million, partially offset by proceeds from issuance of common stock of $0.6 million. The change in the Revolving credit facility for 1998 includes the repayment of $10.6 million, which had been borrowed in late 1997, to cash collateralize letters of credit which had been issued by the Company's previous lender until replacement letters of credit could be issued by its new lender, and $1.6 million of new borrowings. For 1997, this was largely the result of the incurrence of $59.9 million of debt primarily in connection with the acquisition of Windsor Door. Additionally, the Company drew down $13.2 million on its revolving credit facility, $10.6 million of which was used to collateralize letters of credit and $2.6 million of which was used to finance normal operating activities of the Company. Long-term debt repayments of $1.1 million and purchases of treasury stock of $1.9 million were funded by cash provided by operating activities and by borrowings under the Company's revolving credit facility. For 1996, long-term debt repayments of $1.0 million and purchases of



treasury stock of $25.5 million were funded by cash provided by operating activities and by borrowings under the Company's revolving credit facility.

The Company has budgeted an aggregate of $11.5 million for capital expenditures in 1999, consisting of $1.6 million for the new technical and business systems project and $9.9 million primarily for machinery and equipment at its other existing facilities. The Company expects to be able to fund these expenditures from cash provided by operations and borrowings under its Credit Facility described below. There can be no assurance that budgeted capital expenditures will be made as planned or that additional capital expenditures will not be required.

In December 1997, the Company purchased certain net assets of Windsor for $59.0 million, including transaction costs of $1.0 million. Pursuant to the terms of the purchase agreement, the purchase price was subject to further adjustment once a final determination was made for the amount of working capital transferred as of the date of closing. The Company received cash of $2.5 million during the second quarter of 1998 in settlement of the working capital acquired, bringing the adjusted purchase price to $56.5 million. The transaction was accounted for as a purchase and the cost of the acquisition was allocated to the assets and liabilities based on their estimated respective fair values. The adjusted total cost of the acquisition, which was financed by proceeds from the Company's Credit Facility, exceeded the fair value of net assets acquired by $28.8 million, which was assigned to goodwill and is being amortized over forty years.

Concurrent with the purchase of Windsor in December 1997, the Company replaced its previous revolving credit facility with a revolving credit and term loan facility ("Credit Facility") with Canadian Imperial Bank of Commerce ("CIBC"), as administrative agent, and certain other lenders. The Credit Facility includes a $40.0 million term loan facility and a revolving credit facility ("Revolver") with maximum borrowings of $75.0 million, including a $30.0 million letter of credit sub-facility and a $5.0 million swingline sub-facility. On December 4, 1997, the full amount of the term loan was borrowed to finance part of the Windsor acquisition. The term loan requires semiannual principal payments commencing July 1998 of $2.0 million to $9.0 million, with a final payment due January 2003. Also on December 4, 1997, $19.0 million of the Revolver was borrowed to finance the balance of the Windsor acquisition and $10.6 million of the Revolver was borrowed to cash collateralize outstanding letters of credit which had been issued by the Company's prior lender until replacement letters of credit could be issued by CIBC. This $10.6 million of proceeds were carried as restricted cash on the accompanying Consolidated Balance Sheets. This amount of borrowing was included in current portion of long-term debt as the Company intended to repay the Credit Facility as soon as the replacement letters of credit were issued and the underlying cash collateral was returned by the previous lender, all of which occurred as expected in 1998. The Credit Facility expires on January 3, 2003 and bears interest at a rate equal to, at the option of the Company, either: (1) in the case of Eurodollar loans, the sum of the interest rate in the London interbank market for loans in an amount substantially equal to the amount of borrowing and for the period of borrowing selected by the Company plus a margin of between one-half percent and one and one-half percent, depending on the Company's consolidated interest coverage ratio (as defined in the credit agreement) or (2) the higher of (a) CIBC's prime or base rate or (b) one-half percent plus the latest overnight federal funds rate. At December 31, 1998 the interest rate on Eurodollar borrowings under the Credit Facility of $66.8 million was 6.69%. There were no base rate borrowings at December 31, 1998. Interest is payable quarterly in the case of base rate loans and on maturity dates or every three months, whichever is shorter, in the case of Eurodollar loans. The Company is required to pay a fee of .25% per year for the unused portion of the Credit Facility and 1.125% per year on outstanding letters of credit. The Credit Facility is guaranteed by all of the Company's domestic subsidiaries and collateralized by substantially all of the Company's assets, and requires the Company to maintain certain financial ratio covenants. The Credit Facility



limits the Company's ability to incur debt, to sell or dispose of assets, to create or incur liens, to make additional acquisitions, to pay dividends, to purchase or redeem the Company's stock and to merge or consolidate with any other entity and provides the lender with the right to require the payment of all amounts outstanding under the Credit Facility if a change in control of the Company occurs.

In December 1994, the Company borrowed $9.7 million from the Industrial Development Authority of Mecklenburg County, Virginia (the "IDA") to finance the construction of the Company's new Virginia manufacturing facility. The IDA financed the loan through the issuance of industrial development revenue bonds ("IDA Bonds"). The loan bears interest at a variable rate equal to the rate necessary to allow the IDA Bonds to be sold at 100% of the principal amount thereof; the Company has the option to change the interest rate to a fixed rate for a specified term (which may be the remaining term of the IDA Bonds). The IDA Bonds mature December 1, 2004, are subject to mandatory sinking fund redemption of $0.97 million per year, and are subject to mandatory redemption under certain circumstances. The Company has secured its obligations in respect of the IDA Bonds through the issuance of a letter of credit which reduces each year by the amount of the principal repayment.

At December 31, 1998, the Company's outstanding debt (including current portion) was $73.0 million which includes $38.0 million of the term loan, $28.8 million of the Revolver and $5.8 million of IDA Bonds used to finance the Virginia manufacturing facility.

The Board of Directors authorized the Company to repurchase up to 1.3 million shares of its Common Stock to be purchased at any time in the open market, subject to market conditions. At December 31, 1998 and 1997, the Company had repurchased 1.079 million shares costing $28.7 million and 1.069 million shares costing $28.5 million, respectively. These shares are reflected as Treasury Stock on the accompanying Consolidated Balance Sheets and were purchased using a combination of cash provided by operations and borrowings under the Company's Revolver.

In August 1995, the Company entered into a joint venture with China Renaissance Industries, L. P. to pursue the manufacture and sale of metal building systems in The People's Republic of China ("PRC") for sale throughout most of Southeast Asia. The Company has a 30% interest in the Joint Venture and exclusively licensed to the Joint Venture on a royalty-free basis the right to use certain elements of the Company's technology. The Joint Venture completed the construction of its initial manufacturing facility in the PRC in October 1996. The Company received a technology license fee of $1.5 million, of which it received $0.75 million during 1995 and the remaining $0.75 million during 1998. The Company recognized $0.73 million in income in 1998. The Company's portion of the Joint Venture's cumulative loss as of December 31, 1998 is $0.3 million, which is offset by the unrecognized portion of the technology license fee received. At December 31, 1998 and 1997 the Company had $4.5 million and $4.4 million, respectively, invested in the Joint Venture which was funded by cash provided by operating activities. The Company has no obligation for any further investment in the joint venture, although it may choose to increase its investment based on evaluating the anticipated return on any proposed additional investment.

The Company believes that the cash generated from operations and borrowings under the Credit Facility will be sufficient to meet its working capital and capital expenditure requirements as well as any additional capital it may invest in its Joint Venture in China through at least 1999. There can be no assurance that liquidity would not be impacted by a decline in general economic conditions and higher interest rates which would affect the Company's ability to obtain external financing.



The Company carries insurance on its activities in scope and amounts which it believes are reasonable in light of the risks of the business. However, there can be no assurance that it will not incur a liability which is not covered or is in excess of coverage, which liability could have a material adverse effect on the Company.

Inflation

The Company has from time to time in the past experienced increases in cost of sales and operating costs, including the costs of raw materials, supplies and labor due to inflation. The Company has generally been able to offset the effects of such inflation through periodic price increases. In recent years, the rate of domestic inflation has abated significantly. No assurance can be given, however, that the inflation rate will not increase in future years or that the Company will be able to increase prices to match increases in costs.

Year 2000 Compliance

The Company is currently in the process of evaluating and implementing changes to computer programs necessary to address the year 2000 issue. This issue affects computer systems that have date sensitive programs that may not properly recognize the year 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail, resulting in business interruption.

The Company began a capital project during 1997 to replace both its business systems and technical systems. It is now in the implementation phase of an enterprise resource planning system to replace its business systems, and is nearing completion of the development phase of its new technical system. The Company budgeted approximately $5.9 million for this project over a thirty-month period. To date, approximately $4.5 million has been spent, leaving approximately $1.4 million to be spent during 1999. These new systems are year 2000 compliant and the Company expects them to be implemented in time to prevent any significant year 2000 problems from arising. The Company does not believe that any costs which would result from converting any other internal systems to be year 2000 compliant, which are not covered by this project, will be material to its financial condition or results of operations.

The year 2000 issue is expected to affect the systems of various entities with which the Company interacts, including the Company's builder/dealers, suppliers, and vendors. There can be no assurance that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure by another company's systems to be year 2000 compliant would not have a material adverse effect on the Company. To the extent possible, the Company will be developing contingency plans designed to allow continued operation in the event of a failure of the Company's or third party's systems.

Market Risk

Upward or downward changes in market interest rates and their impact on the reported interest expense of the Company's variable rate borrowings will affect the Company's future earnings. However, a ten-percent change in the 1998 effective average interest rate on variable rate borrowings should not have a material effect on the Company's earnings for 1999.



Fluctuations of Quarterly Operating Results

The Company's construction-related businesses are seasonal in nature in that shipments are normally lower in the first half of each year compared to the second half because of unfavorable weather conditions for construction, particularly in the northern portion of the United States, and normal business planning cycles affecting construction. This seasonality not only affects sales, but also profitability for the quarter. See Note 12 of Notes to Consolidated Financial Statements for selected unaudited quarterly financial data for the years ended December 31, 1998 and 1997. The quarterly data reflect, in the opinion of the Company, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations for such periods. Results of any one or more quarters are not necessarily indicative of annual results or continuing trends.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of American Buildings Company and Subsidiaries are filed as part of this report.

AMERICAN BUILDINGS COMPANY AND SUBSIDIARIES





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To American Buildings Company:

We have audited the accompanying consolidated balance sheets of AMERICAN BUILDINGS COMPANY (a Delaware corporation) AND SUBSIDIARIES as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Buildings Company and subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
February 8, 1999



AMERICAN BUILDINGS COMPANY

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1998 AND 1997

(In Thousands, Except Per Share Data)

<TABLE>
<CAPTION>

ASSETS

| <S> | 1998 <C> | 1997 <C> |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash (including restricted cash of $10,624 in 1997) | $ 2,467 | $ 16,560 |
| Accounts receivable, net of allowance for doubtful accounts of $3,281 and $4,345 in 1998 and 1997, respectively | 66,807 | 58,649 |
| Inventories | 40,088 | 31,410 |
| Deferred income taxes | 4,296 | 4,059 |
| Prepaid expenses | 3,505 | 1,839 |
| Total current assets | 117,163 | 112,517 |
| PROPERTY, PLANT, AND EQUIPMENT, net | 54,745 | 52,876 |
| GOODWILL, net | 30,543 | 29,669 |
| NET ASSETS OF DISCONTINUED OPERATION | 3,181 | 4,534 |
| OTHER ASSETS, net | 9,084 | 9,568 |
| | $ 214,716 | $ 209,164 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | 1998 | 1997 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | $ 5,236 | $ 13,839 |
| Accounts payable | 47,359 | 44,796 |
| Accrued liabilities | 18,508 | 18,423 |
| Accrued income taxes | -- | 1,166 |
| Total current liabilities | 71,103 | 78,224 |
| LONG-TERM DEBT, net of current maturities | 67,774 | 71,395 |
| OTHER NONCURRENT LIABILITIES | 5,094 | 3,749 |
| COMMITMENTS AND CONTINGENCIES (Note 9) | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, $.01 par value; 4,000 shares authorized, no shares issued and outstanding in 1998 and 1997 | -- | -- |
| Common stock, $.01 par value; 25,000 shares authorized, 6,375 and 6,339 shares issued in 1998 and 1997, respectively | 64 | 63 |
| Additional paid-in capital | 32,038 | 31,448 |
| Retained earnings | 67,331 | 52,736 |
| | 99,433 | 84,247 |
| Less treasury stock, at cost (1,079 and 1,069 shares in 1998 and 1997, respectively) | (28,688) | (28,451) |
| Total stockholders' equity | 70,745 | 55,796 |
| | $ 214,716 | $ 209,164 |

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.



AMERICAN BUILDINGS COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

(In Thousands, Except Per Share Data)

<TABLE>
<CAPTION>

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| NET SALES | $ 440,660 | $ 311,967 | $ 272,991 |
| COSTS AND EXPENSES: | | | |
| Cost of sales | 368,941 | 256,285 | 228,321 |
| Selling, general, and administrative | 37,885 | 27,607 | 24,190 |
| | 406,826 | 283,892 | 252,511 |
| OPERATING INCOME | 33,834 | 28,075 | 20,480 |
| INTEREST EXPENSE, net | 4,981 | 1,061 | 143 |
| INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES | 28,853 | 27,014 | 20,337 |
| PROVISION FOR INCOME TAXES | 11,108 | 10,401 | 7,830 |
| INCOME FROM CONTINUING OPERATIONS | 17,745 | 16,613 | 12,507 |
| DISCONTINUED OPERATIONS: | | | |
| Loss from operations (less income tax benefit of $878, $477, and $38 for 1998, 1997, and 1996, respectively) | (1,404) | (762) | (60) |
| Loss on disposal (less income tax benefit of $1,094) | (1,746) | -- | -- |
| NET INCOME | $ 14,595 | $ 15,851 | $ 12,447 |
| BASIC EARNINGS PER SHARE: | | | |
| Income from continuing operations | $ 3.35 | $ 3.14 | $ 2.19 |
| Discontinued operations: | | | |
| Loss from operations | (0.26) | (0.14) | (0.01) |
| Loss on disposal | (0.33) | -- | -- |
| Net income | $ 2.76 | $ 3.00 | $ 2.18 |
| DILUTED EARNINGS PER SHARE: | | | |
| Income from continuing operations | $ 3.15 | $ 2.94 | $ 2.07 |
| Discontinued operations: | | | |
| Loss from operations | (0.25) | (0.13) | (0.01) |
| Loss on disposal | (0.31) | -- | -- |
| Net income | $ 2.59 | $ 2.81 | $ 2.06 |
| WEIGHTED AVERAGE SHARES OUTSTANDING: | | | |
| Basic | 5,291 | 5,291 | 5,699 |
| Diluted | 5,629 | 5,649 | 6,040 |

</TABLE>

The accompanying notes are an integral part of these consolidated statements.



AMERICAN BUILDINGS COMPANY

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

(In Thousands)

<TABLE>
<CAPTION>

| | Common Stock | | Additional | | | Total |
|---|---|---|---|---|---|---|
| | Shares | Amount | Paid-In Capital | Retained Earnings | Treasury Stock | Stockholders' Equity |

| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
|---|---|---|---|---|---|---|
| BALANCE, December 31, 1995 | 6,237 | $ 62 | $ 30,082 | $ 24,438 | $ (1,071) | $ 53,511 |
| Net income | -- | -- | -- | 12,447 | -- | 12,447 |
| Exercise of stock options | 75 | 1 | 967 | -- | -- | 968 |
| Purchase of 955 shares of treasury stock | -- | -- | -- | -- | (25,460) | (25,460) |
| BALANCE, December 31, 1996 | 6,312 | 63 | 31,049 | 36,885 | (26,531) | 41,466 |
| Net income | -- | -- | -- | 15,851 | -- | 15,851 |
| Exercise of stock options | 27 | -- | 399 | -- | -- | 399 |
| Purchase of 68 shares of treasury stock | -- | -- | -- | -- | (1,920) | (1,920) |
| BALANCE, December 31, 1997 | 6,339 | 63 | 31,448 | 52,736 | (28,451) | 55,796 |
| Net income | -- | -- | -- | 14,595 | -- | 14,595 |
| Exercise of stock options | 36 | 1 | 590 | -- | -- | 591 |
| Purchase of 10 shares of treasury stock | -- | -- | -- | -- | (237) | (237) |
| BALANCE, December 31, 1998 | 6,375 | $ 64 | $ 32,038 | $ 67,331 | $(28,688) | $ 70,745 |

</TABLE>

The accompanying notes are an integral part of these consolidated statements.



AMERICAN BUILDINGS COMPANY

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

(In Thousands)

<TABLE>
<CAPTION>

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | $ 14,595 | $ 15,851 | $ 12,447 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Loss from discontinued operations | 3,150 | 762 | 60 |
| Depreciation and amortization | 8,255 | 4,991 | 4,111 |
| Loss (gain) on sales of fixed assets | 57 | (47) | (64) |
| Changes in operating assets and liabilities, net of acquired businesses: | | | |
| Accounts receivable, net | (9,066) | (6,783) | (6,859) |
| Inventories | (7,806) | (482) | (4,119) |
| Accounts payable | 1,889 | 1,473 | 8,549 |
| Accrued liabilities and income taxes | (2,699) | 3,404 | 452 |
| Other working capital changes | (1,884) | (1,272) | (616) |
| Other, net | 1,670 | (415) | 113 |
| Total adjustments | (6,434) | 1,631 | 1,627 |
| Net cash provided by operating activities | 8,161 | 17,482 | 14,074 |
| CASH USED BY DISCONTINUED OPERATIONS | (1,797) | (2,887) | (2,080) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Additions to property, plant, and equipment | (8,758) | (9,779) | (9,335) |
| Purchase of acquired businesses, net of cash acquired | (2,230) | (58,734) | -- |
| Cash settlement--Windsor Door purchase | 2,536 | -- | -- |
| Decrease in restricted cash--IDA bond proceeds | -- | 466 | 3,634 |
| Investment in China Joint Venture | (135) | (525) | (2,940) |
| Proceeds from sales of fixed assets | -- | 47 | 94 |
| Proceeds from sales of nonoperating property, net | -- | -- | 952 |
| Net cash used for investing activities | (8,587) | (68,525) | (7,595) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of common stock | 591 | 399 | 968 |
| Proceeds from issuance of debt, net | -- | 59,893 | -- |
| Long-term debt payments | (3,215) | (1,103) | (970) |
| Changes in revolving credit facility, net | (9,009) | 13,221 | 3,963 |

| | | | |
|---|---|---|---|
| Purchase of treasury stock | (237) | (1,920) | (25,460) |
| Net cash (used for) provided by financing activities | (11,870) | 70,490 | (21,499) |
| NET (DECREASE) INCREASE IN CASH | (14,093) | 16,560 | (17,100) |
| CASH, beginning of year | 16,560 | -- | 17,100 |
| CASH, end of year | $ 2,467 | $ 16,560 | $ -- |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ 4,963 | $ 968 | $ 559 |
| Cash paid for income taxes | $ 10,658 | $ 10,328 | $ 7,748 |

</TABLE>

The accompanying notes are an integral part of these consolidated statements.



AMERICAN BUILDINGS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998, 1997, AND 1996

(In Thousands, Except Per Share Data)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of American Buildings Company and its wholly owned subsidiaries (the "Company"), after elimination of all material intercompany items.

The Company is a diversified manufacturer and marketer of construction products and services for nonresidential and residential applications. The Company designs, manufactures, and sells metal building systems for industrial, commercial, institutional, and other nonresidential markets. Metal building systems consist of structural framing and wall and roof panels. The Company's metal building systems are generally custom-designed to meet the specific needs of the end user and to allow for easy on-site assembly. The Company markets its metal building systems nationwide through authorized builder/dealers. The Company has a separate roofing products sales, engineering, and customer service organization, which markets and sells the Company's roofing products to its builder/dealer network and to preferred roofing contractors. The Company manufactures and markets steel sectional upward acting doors for residential and commercial applications through Windsor Door ("Windsor"), which are sold nationwide through independent distributors and company-owned distribution centers. Windsor also produces rolling steel doors for industrial and self-storage uses and operates a metal stampings manufacturing operation. In addition, the Company paints steel coils, manufactures and markets building components and self-storage systems, and provides specialty engineering services for large, complex building structures. The Company markets and produces light gauge steel framing systems and trusses and also operates an ICC-licensed trucking subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recorded upon delivery of the product to the customer.

Earnings Per Share

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," effective for fiscal years ending after December 15, 1997. The calculation and presentation of earnings per share are presented in accordance with SFAS No. 128. Basic earnings per share are based on the weighted average number of shares outstanding. Diluted earnings per share are based on the weighted average number of shares outstanding and the dilutive effect of stock options outstanding (using the treasury stock method). For the years ending December 31, 1998, 1997, and 1996, outstanding options of 146, 142, and 0, respectively, have been excluded from diluted weighted average shares outstanding, as the exercise price exceeded the average stock price, and thus, their impact was antidilutive.

Comprehensive Income

In 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," effective for fiscal years beginning after December 15, 1997. The Company has adopted the new pronouncement, which establishes new rules for the reporting and display of comprehensive income and its components; however, the Company has no other comprehensive income items as defined in SFAS No. 130.

Cash

The Company considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents.

In December 1997, the Company canceled its previous credit facility and entered into a new credit facility. As of December 31, 1997, the Company's prior lender required the Company to deposit funds with it to support outstanding letters of credit of $10,624. During 1998, the Company issued replacement letters of credit under its new credit facility, withdrew the funds, and paid down its revolving credit facility.

Inventories

Inventories are stated at the lower of cost or market. The last-in, first-out ("LIFO") method is used for determining the cost for approximately 53% and 62% of the Company's inventories at December 31, 1998 and 1997, respectively. The first-in, first-out method is used for determining the cost of all other inventories, including direct labor and overhead incurred in the manufacturing process. Market is defined as replacement cost for raw materials and net realizable value for work in process and finished goods.

Inventories consist of the following as of December 31, 1998 and 1997:

| | 1998 | 1997 |
|---|---|---|
| Raw materials | $ 24,598 | $ 19,762 |
| Work in process | 6,000 | 5,126 |
| Finished goods | 10,070 | 7,239 |
| | 40,668 | 32,127 |
| Allowance to state inventories at LIFO cost | (580) | (717) |
| | $ 40,088 | $ 31,410 |

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of 20 to 40 years for buildings, approximately 7 to 15 years for machinery and equipment, and 3 to 15 years for all other items. Leasehold improvements are amortized over the shorter of the useful life of the asset or the term of the lease.



Property, plant, and equipment, at cost, consist of the following as of December 31, 1998 and 1997:

| | 1998 | 1997 |
|---|---|---|
| Land | $ 1,769 | $ 1,768 |
| Buildings and leasehold improvements | 26,331 | 25,900 |
| Machinery and equipment | 76,734 | 68,373 |
| | 104,834 | 96,041 |
| Less accumulated depreciation | 50,089 | 43,165 |
| | $ 54,745 | $ 52,876 |

Goodwill

Goodwill is amortized on a straight-line basis over the lesser of its estimated life or 40 years. Amortization expense was $741, $78, and $0 in 1998, 1997, and 1996, respectively.

Long-Lived Assets

The Company periodically reviews the values assigned to long-lived assets, such as property and equipment and goodwill, and reviews the amortization periods on an annual basis. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Management believes that the long-lived assets in the accompanying balance sheets are appropriately valued.

Other Assets

The Company is the beneficiary of life insurance policies covering certain current and former management employees to fund the Company's obligations to such employees under a noncontributory retirement and death benefit plan (Note 8). The cash surrender value of these life insurance policies is $2,381 and $2,179 at December 31, 1998 and 1997, respectively, and is included in other assets in the accompanying balance sheets.

Accrued Liabilities

The Company accrues estimated insurance claims for the self-insured portion of its workers' compensation, property, casualty, and health insurance plans. At December 31, 1998 and 1997, insurance claim reserves of $6,104 and $5,592, respectively, were included in accrued liabilities.

Concentrations of Credit Risk

Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers and markets for which the Company's services are provided as well as their dispersion across many different geographic areas. As a result, as of December 31, 1998, the Company does not consider itself to have any significant concentrations of credit risk.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial



statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Recent Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which established accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value, and changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company plans to adopt SFAS No. 133 in the first quarter of fiscal 2000. Management does not believe the adoption of this statement will have a material effect on the consolidated financial statements of the Company.

3. DISCONTINUED OPERATIONS

In December 1998, the Company announced the discontinuance of American Modular Technologies ("AMT") located in Liberty, North Carolina. Operations of AMT will be phased down throughout 1999, as the Company has ceased taking new orders but continues to meet contractual obligations of in-process business. A loss on disposition of AMT of $1,746 (net of tax benefit) was recorded for the write-down of long-lived assets of $246, severance costs of $300, estimated carrying costs of the closed facility of $360, legal, contract termination, and various other shut-down costs of $350, and anticipated losses during the shut-down period of $1,584. AMT has been accounted for as a discontinued operation, and accordingly, the accompanying consolidated financial statements of the Company have been restated to report separately the net assets and operating results of AMT.

Revenues of AMT were $13,139, $11,420, and $962 in 1998, 1997, and 1996, respectively. The net loss of AMT was $1,404, $762, and $60 in 1998, 1997, and 1996, respectively. A summary of the net assets of AMT, which have been reflected in the consolidated balance sheets as of December 31, 1998 and 1997, is as follows:

| | 1998 | 1997 |
|---|---|---|
| Current assets | $ 5,366 | $ 3,690 |
| Property, plant, and equipment, net | 1,473 | 1,731 |
| Current liabilities | (3,658) | (875) |
| Noncurrent liabilities | -- | (12) |
| Net assets of discontinued operations held for sale | $ 3,181 | $ 4,534 |



4. ACQUISITIONS

On July 18, 1998, the Company acquired the shares of Rescom Overhead Door ("Rescom") for $2,000 cash, plus assumed net liabilities of $545. Rescom distributes overhead doors throughout California. The transaction was accounted for by the purchase method. The purchase price in excess of the net assets acquired is $2,545 and has been assigned to goodwill. The accompanying consolidated financial statements include the operating results of Rescom from the date of acquisition. The purchase price is subject to an upward adjustment based on the earnings performance of Rescom during its first year of operation as part of the Company.

On December 4, 1997, the Company completed the acquisition of certain net assets of Windsor for approximately $59,000, including transaction costs of $1,000. The transaction was financed with proceeds from the Company's credit facility (Note 5) and was accounted for as a purchase. The cost of the acquisition has been allocated to assets and liabilities based on their estimated respective fair values. Total consideration, including an estimated working capital adjustment, exceeded the fair value of net assets purchased by $29,747, which was assigned to goodwill. In June 1998, the Company finalized the working capital adjustment. In connection therewith, the Company received $2,536 in cash, which resulted in a reduction of goodwill of $944.

The results of the operations of Windsor are included in the accompanying financial statements since the date of acquisition. The following unaudited pro forma information was prepared assuming that the transaction was consummated on January 1, 1996:

| | 1997 | 1996 |
|---|---|---|
| Revenue | $ 400,584 | $ 360,085 |
| Net income | 15,403 | 12,317 |
| Earnings per share: | | |
| Basic | $ 2.91 | $ 2.16 |
| Diluted | 2.73 | 2.04 |

This pro forma information is not necessarily indicative of the results of operations that would have been attained had the acquisition been consummated on January 1, 1996 or that may be attained in the future.



5. LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 1998 and 1997:

| | 1998 | 1997 |
|---|---|---|
| Term loan | $38,000 | $40,000 |
| Revolving credit facility | 28,800 | 37,809 |
| IDA of Mecklenburg County, Virginia; Industrial Revenue Bonds | 5,820 | 6,790 |
| Other | 390 | 635 |
| | 73,010 | 85,234 |
| Less current maturities | 5,236 | 13,839 |
| | $67,774 | $71,395 |

======= =======

The annual maturities of long-term debt are as follows:

| | |
|---|---|
| 1999 | $ 5,236 |
| 2000 | 5,094 |
| 2001 | 7,970 |
| 2002 | 14,970 |
| 2003 | 38,770 |
| Thereafter | 970 |
| | ------- |
| | $73,010 |
| | ======= |

The Company has a comprehensive credit facility which includes a $40,000 term loan and a revolving credit facility with maximum borrowings of $75,000.

The term loan requires semiannual principal payments, commencing July 1998, of $2,000 to $9,000, with a final payment due January 2003. Interest is payable monthly at the Eurodollar rate plus 1% (6.81% at December 31, 1998).

The revolving credit facility availability is based on borrowings outstanding as well as amounts outstanding under letters of credit. At December 31, 1998, borrowings outstanding on the revolving credit facility were $28,800, outstanding letters of credit were $8,324, and $37,876 was available under the revolving credit facility. The facility expires January 2003. Interest is payable on individual advances at the Eurodollar rate plus 1% (weighted average of 6.54% at December 31, 1998). The Company is required to pay a fee of .25% per year for the unused portion of the facility and 1.125% per year on outstanding letters of credit.

The credit facility is collateralized by substantially all of the Company's assets and requires the Company to maintain certain financial ratio covenants.

In December 1994, the Company closed a $9,700 industrial revenue bond transaction with the Industrial Development Authority ("IDA") of Mecklenburg County, Virginia, for the purpose of financing its new manufacturing facility located in Virginia. The bonds bear interest at a variable rate (4.25% at December 31, 1998). Additionally, the Company pays a .25% remarketing fee on the bond balance. The bonds mature on December 1, 2004 and are subject to a mandatory sinking fund redemption of $970 per year and to a mandatory redemption under certain circumstances. The



Company has secured its obligation with respect to the IDA bonds through the issuance of a letter of credit. The carrying amount of the bonds is assumed to approximate fair value due to the bonds' variable rate structure.

6. STOCKHOLDERS' EQUITY

Preferred Stock

In February 1994, the board of directors authorized 4,000 shares of preferred stock with $.01 par value. The board of directors has the authority to issue these preferred shares and to fix dividends, voting and conversion rights, redemption provisions, liquidation preferences, and other rights and restrictions.

Treasury Stock

The board of directors has authorized the Company to repurchase up to 1,300 shares of its outstanding common stock, as deemed appropriate by management. At December 31, 1998 and 1997, repurchases of 1,079 and 1,069 shares, respectively, had been effected at prevailing market prices from time to time on the open market. These repurchased shares represent additions to treasury stock and are carried at cost in the accompanying balance sheets.

Stock Option Plans

In January 1993, the Company adopted the American Buildings Company Management Incentive Plan. The Company reserved 223 shares for issuance under the plan. Stock incentives granted pursuant to the plan may include (a) nonqualified stock options, (b) incentive stock options, or (c) restricted stock awards. All options were issued at an exercise price no less than fair value as of the date of grant. Cancellations of options granted under the plan are not available for future grants.

In February 1994, the board of directors approved the 1994 Employee Stock Option Plan. The plan, as amended, provides for the issuance of incentive and nonqualified stock options to acquire up to 880 shares of common stock. Options become exercisable as determined at the date of grant by a committee of the board of directors. Options expire ten years after the date of grant unless an earlier expiration date is set at the time of grant. To date, the exercise prices of all issuances of options have been at fair market value at the date of grant.

In addition, the Company has a stock option plan for nonemployee directors, which, as amended, authorizes options to purchase up to 260 shares of common stock. The option price for future grants is to be determined by the board of directors but shall not be less than the fair market value of the common shares on the date the stock option is granted.



Transactions under the Company's stock option plans during each of the three years ended December 31, 1998 are summarized as follows:

| | Number of Shares | Weighted Average Price Per Share |
|---|---|---|
| Outstanding at December 31, 1995 | 722 | $11.91 |
| Granted | 19 | 21.22 |
| Exercised | (75) | 8.87 |
| Canceled | (14) | 20.01 |
| Outstanding at December 31, 1996 | 652 | 12.35 |
| Granted | 221 | 27.12 |
| Exercised | (27) | 10.15 |
| Canceled | (2) | 10.00 |
| Outstanding at December 31, 1997 | 844 | 16.32 |
| Granted | 9 | 29.63 |
| Exercised | (36) | 8.11 |
| Canceled | (7) | 28.25 |
| Outstanding at December 31, 1998 | 810 | 16.73 |
| Exercisable at December 31, 1998 | 629 | 13.81 |

At December 31, 1998, options to purchase 402 shares were available for future grant under the above option plans.

The following table sets forth the number of shares, weighted average exercise price, and remaining contractual lives by groups of similar price and grant date:

<TABLE>
<CAPTION>

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Shares | Weighted Average Exercise Price | Weighted Average Contractual Life | Number of Shares | Weighted Average Exercise Price |
| <S> | <C> | <C> | <C> | <C> | <C> |
| $ 5.18-$ 6.89 | 163 | $ 5.94 | 4.1 years | 163 | $ 5.94 |
| $10.00-$16.38 | 310 | 12.28 | 5.4 years | 310 | 12.28 |
| $18.06-$29.63 | 337 | 26.08 | 8.0 years | 156 | 25.10 |
| $ 5.18-$29.63 | 810 | 16.73 | 6.2 years | 629 | 13.81 |

</TABLE>

The Company accounts for the stock purchase and stock option plans under Accounting Principles Board ("APB") Opinion No. 25, which requires compensation costs to be recognized only when the option price differs from the market price at the grant date. SFAS No. 123 allows a company to follow APB Opinion No. 25 with additional disclosure that shows what the company's net income and earnings per share would have been using the compensation model under SFAS No. 123.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Risk-free interest rate | 5.59% | 5.98% | 6.16% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% |
| Expected lives | 5 years | 5 years | 5 years |
| Expected volatility | 35% | 35% | 35% |

The total values of the options granted during the years ended December 31, 1998, 1997, and 1996 were computed as approximately $108, $2,407, and $133, respectively, which would be amortized over the vesting period of the options. If the Company had accounted for these plans in accordance with SFAS No. 123, the Company's reported pro forma net income and pro forma net income per share for the years ended December 31, 1998, 1997, and 1996 would have been as follows:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Net income: | | | |
| As reported | $ 14,595 | $ 15,851 | $ 12,447 |
| Pro forma | 14,043 | 15,529 | 12,285 |
| Basic earnings per share: | | | |
| As reported | $ 2.76 | $ 3.00 | $ 2.18 |
| Pro forma | 2.65 | 2.93 | 2.16 |
| Diluted earnings per share: | | | |
| As reported | $ 2.59 | $ 2.81 | $ 2.06 |
| Pro forma | 2.49 | 2.75 | 2.03 |

7. INCOME TAXES

The provision for income taxes for each of the three years ended December 31, 1998 consists of the following:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 8,741 | $ 9,608 | $ 7,231 |
| State | 998 | 1,098 | 827 |
| Deferred provision (benefit) | 1,369 | (305) | (228) |
| | $ 11,108 | $ 10,401 | $ 7,830 |

The provision for income taxes differs from the amounts resulting from multiplying the income before income taxes by the statutory federal income tax rate. The reasons for these differences are as follows:



| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Federal income tax provision at statutory rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal benefit | 4.0 | 4.0 | 4.0 |
| Other | (0.5) | (0.5) | (0.5) |
| | 38.5% | 38.5% | 38.5% |

The sources of the differences between the financial accounting and tax bases of the Company's assets and liabilities which give rise to the deferred tax assets and liabilities and the tax effects of each are as follows as of December 31, 1998 and 1997:

| | 1998 | 1997 |
|---|---|---|
| Deferred tax assets: | | |
| Accrued liabilities | $ 1,751 | $ 2,412 |
| Deferred compensation | 1,491 | 1,209 |

| | | |
|---|---|---|
| Allowance for doubtful accounts | 1,036 | 1,128 |
| Reserves on nonoperating assets | 1,624 | 422 |
| Other | 334 | 693 |
| | 6,236 | 5,864 |
| Deferred tax liabilities: | | |
| Property, plant, and equipment | (2,102) | (848) |
| Goodwill | (529) | (33) |
| Other | (23) | (32) |
| | (2,654) | (913) |
| Net deferred tax assets | $ 3,582 | $ 4,951 |

Noncurrent deferred tax liabilities of $714 have been included in other noncurrent liabilities as of December 31, 1998, and noncurrent deferred tax assets of $892 have been included in other assets as of December 31, 1997 in the accompanying consolidated balance sheets. Realization of the net deferred tax assets is dependent on generating sufficient taxable income in future periods. Although realization is not ensured, management believes that it is more likely than not that the deferred tax assets will be realized.

8. EMPLOYEE BENEFIT PLANS

Savings Plan

The Company has a contributory 401(k) plan, the American Buildings Company Savings Plan, under which all full-time employees are eligible to participate. The Company matches at least $.25 per $1 of eligible employee contributions and can make an additional contribution at the discretion of the board of directors. The plan requires a minimum company contribution of 1% of eligible gross payroll annually. Company contributions to this plan were $1,382, $1,913, and $996 for 1998, 1997, and 1996, respectively.



Retirement Plan

The Company has a noncontributory retirement and death benefit plan which covers certain management employees. The plan provides a death benefit prior to obtaining retirement age, as defined by the plan, to be paid over a minimum ten-year period and a mutually exclusive retirement benefit, after obtaining the defined retirement age, to be paid over a ten-year period. Benefits under this plan do not vest until retirement, and the Company has the right to modify or terminate this plan at any time. The Company's liability for benefits under this plan was $3,873 and $3,141 as of December 31, 1998 and 1997, respectively. This liability is based on the estimated present value of the retirement obligation accrued over the estimated service period and is included in other noncurrent liabilities in the accompanying balance sheets.

Pension Plans

In connection with the Windsor acquisition (Note 4), the Company became the sponsor of three defined benefit plans covering hourly and salaried employees. Benefits are based on years of service and/or compensation. The Company's funding policy is to contribute annually an amount that can be deducted for federal income tax purposes and that meets minimum funding standards, using an actuarial cost method and assumptions which are different from those used for financial reporting. Plan assets are invested primarily in equity and income securities. Net pension expense was $374 for the year ended December 31, 1998 and $29 for the month of December 1997.

The following table sets forth the plans' funded status and amounts recognized as other noncurrent liabilities in the accompanying balance sheet at December 31, 1998:

| | |
|---|---|
| Change in benefit obligation: | |
| Benefit obligation at beginning of year | $ 2,069 |
| Service cost | 345 |
| Interest cost | 145 |
| Actuarial loss | 123 |
| Benefit obligation at end of year | $ 2,682 |
| Change in plan assets: | |
| Fair value of plan assets at beginning of year | $ 1,361 |
| Actual return on plan assets | 76 |

| | |
|---|---|
| Fair value of plan assets at end of year | $ 1,437 |

| | |
|---|---|
| Funded status of the plan: | |
| Funded status at December 31, 1998 | $(1,244) |
| Unrecognized loss | 75 |
| Net amount recognized | $(1,169) |

| | |
|---|---|
| Net pension cost for the year: | |
| Service cost | $ 345 |
| Interest cost on projected benefit obligation | 145 |
| Expected return on plan assets | (116) |
| Net periodic pension cost | $ 374 |



For the period presented, the discount rate used to determine the projected benefit obligation is 6.75%, the assumed growth in compensation is 5%, and the expected long-term rate of return on plan assets is 8.5%.

The Company does not provide any other significant postretirement or postemployment benefits.

9. COMMITMENTS AND CONTINGENCIES

Related-Party Transaction

The Company has an agreement with an entity controlled by two of the Company's directors to provide financial and management consulting services through March 2002. The Company paid $375 in 1998 and $275 in 1997 and 1996 for annual consulting services. In addition to the annual fee, the entity received $488 related to services rendered in connection with the Windsor acquisition.

Insurance

The Company participates in self-insured workers' compensation, general liability, and health insurance plans. Reserves are estimated for both reported and unreported claims using industry loss development factors. Revisions to estimated reserves are recorded in the period in which they become known. Estimated self-insurance reserves as of December 31, 1998 and 1997 totaling $6,104 and $5,592, respectively, represent management's best estimate. In the opinion of the Company's management, any future adjustments to estimated reserves will not have a material impact on the financial statements.

Leases

The Company leases certain property, plant, and equipment under operating leases. Minimum future lease payments under operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

| | |
|---|---|
| 1999 | $ 5,884 |
| 2000 | 4,789 |
| 2001 | 4,001 |
| 2002 | 3,024 |
| 2003 | 1,905 |
| Thereafter | 4,409 |
| Total | $24,012 |

Total rent expense for all operating leases was $6,390, $4,296, and $3,811 in 1998, 1997, and 1996, respectively.

Employment Agreements

The Company has entered into employment agreements with five senior executives for terms expiring December 31, 2000. The agreements provide for severance, up to the longer of the remaining term of the agreement or one year, for termination of employment for any reason other than good cause.

Litigation

The Company is involved in various claims and lawsuits incidental to its business. In the opinion of management, the ultimate resolution of such claims and lawsuits will not have a material effect on the Company's financial position, liquidity, or results of operations.

10. JOINT VENTURE

In August 1995, the Company entered into a joint venture with China Renaissance Industries, L.P. to pursue the manufacture and sale of metal building systems in the People's Republic of China ("PRC") and certain countries in Southeast Asia (the "Joint Venture"). The Company has a 30% interest in the Joint Venture and exclusively licensed to the Joint Venture on a royalty-free basis the right to use certain elements of the Company's technology. The Company has received technology license fees totaling $1,500, of which it received $750 during 1995 and the remaining $750 in 1998. The Company recognized $732 of the collected technology license fee during 1998. The Company's portion of the Joint Venture's cumulative loss is $309 as of December 31, 1998 and is offset by the unrecognized portion of the technology license fee received. The Joint Venture completed construction of its initial manufacturing facility in the PRC during October 1996. At December 31, 1998 and 1997, the Company had $4,500 and $4,365, respectively, invested in the Joint Venture which has been included in other assets at December 31, 1998 and 1997, respectively.

11. BUSINESS SEGMENT INFORMATION

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in its financial statements for the year ended December 31, 1998.

The Company's ten business units have been aggregated into three reportable segments--Construction Products, Door Products, and Steel Coil Coating, since the long-term financial performance within each of these segments is affected by similar economic conditions. Each of these segments has its own management team.

The Construction Products segment consists of two groups, representing six business divisions--Buildings, Heavy Fabrication, and Self-Storage (collectively, the "Buildings Group"), and Roofing, ABC Components, and Steel Components Systems (collectively, the "Roofing and Components Group"). This segment primarily sells metal buildings systems, roofing systems for new construction and retrofit markets, self-storage buildings systems, and metal building components. Products of these divisions are manufactured at the Company's four metal buildings plants and are generally marketed through a network of independent general contractors.

The Door Products segment represents the Windsor Door division, which was acquired by the Company in December 1997, and produces steel sectional upward-acting doors for residential and commercial applications. Door products are manufactured at three plants and are sold through independent distributors as well as 31 company-owned distribution centers.

The Steel Coil Coating segment represents the Polymer Coil Coating division, which coats steel coils for internal use by the Metal Buildings and Door products segments and serves as a toll coater for steel mills and other customers who use painted steel for architectural products, lighting fixtures, steel furniture, and other applications.



The accounting policies of the reportable segments are the same as those described in Note 2 to the consolidated financial statements. The Company evaluates the performance of each operating division based on income before income taxes, accounting changes, nonrecurring items, and interest expense.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes corporate related activities as well as results of smaller operations of the Company, ABC Transportation, and Light Gauge Commercial. Data by geographic area has been omitted as the Company does not have significant sales or long-lived assets held outside of the United States.

<TABLE>
<CAPTION>

| | 1998 | | | | |
|---|---|---|---|---|---|
| | Construction Products | Door Products | Steel Coil Coating | Other | Total |

| | | | | | |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net sales from external customers | $316,803 | $104,735 | $ 13,941 | $ 5,181 | $440,660 |
| Intersegment net sales | -- | 1,000 | 14,420 | 21,180 | 36,600 |
| Operating profit | 24,083 | 6,940 | 6,796 | (3,985) | 33,834 |
| Total assets | 112,654 | 82,815 | 13,318 | 5,929 | 214,716 |
| Capital expenditures | 4,682 | 3,353 | 369 | 354 | 8,758 |
| Depreciation and amortization | 3,931 | 2,896 | 703 | 725 | 8,255 |

<CAPTION>

| | 1997 | | | | |
|---|---|---|---|---|---|
| | Construction Products | Door Products | Steel Coil Coating | Other | Total |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net sales from external customers | $289,553 | $ 7,783 | $ 9,866 | $ 4,765 | $311,967 |
| Intersegment net sales | -- | -- | 11,962 | 18,358 | 30,320 |
| Operating profit | 27,733 | 723 | 4,907 | (5,288) | 28,075 |
| Total assets | 116,435 | 76,437 | 9,791 | 6,501 | 209,164 |
| Capital expenditures | 8,702 | -- | 826 | 251 | 9,779 |
| Depreciation and amortization | 3,535 | 242 | 583 | 631 | 4,991 |

<CAPTION>

| | 1996 | | | | |
|---|---|---|---|---|---|
| | Construction Products | Door Products | Steel Coil Coating | Other | Total |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net sales from external customers | $260,246 | $ -- | $ 8,957 | $ 3,788 | $272,991 |
| Intersegment net sales | -- | -- | 9,422 | 16,747 | 26,169 |
| Operating profit | 20,282 | -- | 3,393 | (3,195) | 20,480 |
| Total assets | 89,168 | -- | 7,784 | 3,729 | 100,681 |
| Capital expenditures | 6,359 | -- | 2,975 | 1 | 9,335 |
| Depreciation and amortization | 3,103 | -- | 458 | 550 | 4,111 |

</TABLE>



| | Reconciliation of Segment Operating Profit to Income from Continuing Operations | | |
|---|---|---|---|
| | 1998 | 1997 | 1996 |
| Segment operating profit | $ 33,834 | $ 28,075 | $ 20,480 |
| Interest expense | (4,981) | (1,061) | (143) |
| Provision for income taxes | (11,108) | (10,401) | (7,830) |
| Income from continuing operations | $ 17,745 | $ 16,613 | $ 12,507 |

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

| | 1998 | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| <S> | <C> | <C> | <C> | <C> |
| Net sales | $ 95,853 | $ 107,212 | $ 119,597 | $ 117,998 |
| Operating income | 4,413 | 7,684 | 11,208 | 10,529 |
| Interest expense | 1,276 | 1,234 | 1,279 | 1,192 |
| Income from continuing operations | 1,929 | 3,968 | 6,106 | 5,742 |
| Discontinued operations: | | | | |
| Loss from operations | (295) | (265) | (24) | (820) |
| Loss on disposal | -- | -- | -- | (1,746) |
| Net income | 1,634 | 3,703 | 6,082 | 3,176 |
| Diluted earnings per share: | | | | |
| Income from continuing operations | $ 0.34 | $ 0.70 | $ 1.08 | $ 1.03 |
| Discontinued operations: | | | | |
| Loss from operations | (0.05) | (0.05) | -- | (0.15) |
| Loss on disposal | -- | -- | -- | (0.31) |
| Net income | $ 0.29 | $ 0.65 | $ 1.08 | $ 0.57 |

<CAPTION>

| | 1997 | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| <S> | <C> | <C> | <C> | <C> |
| Net sales | $ 55,496 | $ 75,660 | $ 81,139 | $ 99,672 |
| Operating income | 2,566 | 7,207 | 8,144 | 10,158 |
| Interest expense | 225 | 266 | 131 | 439 |
| Income from continuing operations | 1,439 | 4,269 | 4,928 | 5,977 |
| Discontinued operations: | | | | |
| Income (loss) from operations | 76 | 88 | (119) | (807) |
| Net income | 1,515 | 4,357 | 4,809 | 5,170 |
| Diluted earnings per share: | | | | |
| Income from continuing operations | $ 0.26 | $ 0.75 | $ 0.87 | $ 1.06 |
| Discontinued operations: | | | | |
| Income (loss) from operations | 0.01 | 0.02 | (0.02) | (0.14) |
| Net income | $ 0.27 | $ 0.77 | $ 0.85 | $ 0.92 |

</TABLE>



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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors

The information set forth under the caption Proposal No. 1 - Election of Directors in the Company's definitive Proxy Statement to be used in connection with the 1999 Annual Meeting of Stockholders is incorporated herein by reference.

Executive Officers

See "Part I - Executive Officers of the Company."

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" in the Company's definitive Proxy Statement to be used in connection with the 1999 Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Principal Stockholders" in the Company's definitive Proxy Statement to be used in connection with the 1999 Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the captions "Compensation Committee Interlocks and Insider Participation" and "Certain Transactions" in the Company's definitive Proxy Statement to be used in connection with the 1999 Annual Meeting of Stockholders is incorporated herein by reference.



PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENT LIST

1. Financial Statements

The financial statements of the Company filed herewith are set forth in Part II, Item 8 of this Report.

2. Financial Statement Schedules

The following financial statement schedule and opinion thereon are filed as a part of this Report:

Schedule II - Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Exhibits Required by Securities and Exchange Commission Regulation S-K

(a) The following exhibits are filed as part of this report or are incorporated herein by reference (Exhibit Nos. 10.1, 10.3, 10.14, 10.15, 10.16, 10.17, 10.18, 10.19, 10.26, 10.27, 10.28, 10.29 and 10.30 are management contracts, compensatory plans or arrangements):

| Exhibit No. | Description |
|---|---|
| 2.1 | Agreement of Purchase and Sale of Assets, dated as of October 24, 1997, by and between Windsor Door, Inc., as Purchaser, and United Dominion Industries, Inc. and WCGD, Inc., as Seller.(1) |
| 2.2 | Amendment to Agreement of Purchase and Sale of Assets, dated November 19, 1997, between Windsor Door, Inc. and United Dominion Industries, Inc. and WCGD, Inc.(2) |
| 3.1 | Restated Certificate of Incorporation, as amended.(3) |
| 3.2 | Amended and Restated By-laws.(3) |
| 4. | Form of Common Stock Certificate.(3) |
| 10.1 | Stock Option Agreement, dated November 9, 1992, between Robert T. Ammerman and the Company, as amended.(3) |



| Exhibit No. | Description |
|---|---|
| 10.2 | Amended and Restated Registration Rights Agreement, dated as of January 19, 1993, among the Company and certain of the Company's stockholders.(3) |
| 10.3 | Amended and Restated Management Agreement, dated as of November 25, 1997, between the Company and Sterling Ventures Limited.(4) |
| 10.4 | Net True Lease Agreement, dated September 22, 1986, between ABC Transportation Company and PACCAR Leasing Corporation and related Schedules.(3) |
| 10.5 | Master Maintenance Agreement between ABC Transportation Company and Eufaula Trucking Company.(3) |
| 10.6 | Term Lease Master Agreement, dated June 11, 1984, between American Buildings Company and IBM Credit Corporation and related Lease Supplements and Schedules.(3) |
| 10.7 | Commercial Building Lease, dated February 1, 1992, between USX Corporation and Polymer Coil Coaters, Inc. relating to Fairfield, Alabama leased real property.(3) |
| 10.8 | Commercial Building Lease, dated April 1, 1992, between USX Corporation and Polymer Coil Coaters, Inc., relating to Fairfield, Alabama leased real property.(3) |
| 10.9 | Commercial Building Lease, dated April 17, 1985, between USX Corporation and Polymer Coil Coaters, Inc., relating to Fairfield, Alabama leased property.(3) |

| | |
|---|---|
| 10.10 | Form of Spectrum Software License Agreement.(3) |
| 10.11 | Form of Builder Agreement.(3) |
| 10.12 | Form of Roofing Contractor Agreement.(3) |
| 10.13 | Form of Indemnity Agreement.(3) |
| 10.14 | 1994 Stock Option Plan, as amended.(5) |
| 10.15 | Form of Stock Option Agreement under 1994 Stock Option Plan.(3) |
| 10.16 | Stock Option Plan for Non-Employee Directors, as amended.(6) |
| 10.17 | Incentive Bonus Plan.(3) |
| 10.18 | Management Security Plan.(3) |
| 10.19 | Form of Non-Plan Stock Option Agreement.(3) |
| 10.20 | Industrial Development Authority of Mecklenburg County, Virginia Purchase Contract dated November 22, 1994, with the Company and Merchant Capital Corporation.(7) |



| | |
|---|---|
| 10.21 | Loan Agreement between Industrial Development Authority of Mecklenburg County, Virginia and the Company dated December 1, 1994.(7) |
| 10.22 | Form of Note (included in Loan Agreement).(7) |
| 10.23 | Remarketing Agreement dated as of December 1, 1994, among the Company, Merchant Capital Corporation, NationsBank of Virginia, N.A. and the Industrial Development Authority of Mecklenburg County, Virginia.(7) |
| 10.24 | Indenture of Trust between Industrial Development Authority of Mecklenburg County, Virginia and NationsBank of Virginia, N.A., as Trustee.(7) |
| 10.25 | Pledge Agreement, dated as of April __, 1998, between the Company and Canadian Imperial Bank of Commerce. |
| 10.26 | Employment Agreement, dated as of January 1, 1998, between the Company and Robert T. Ammerman.(4) |
| 10.27 | Employment Agreement, dated as of January 1, 1998, between the Company and Joel R. Voelkert.(4) |
| 10.28 | Employment Agreement, dated as of January 1, 1998, between the Company and Roy L. Smith.(4) |
| 10.29 | Employment Agreement, dated as of January 1, 1998, between the Company and William R. Buchholz.(4) |
| 10.30 | Employment Agreement dated as of January 1, 1998, between the Company and R. Charles Blackmon.(4) |
| 10.31 | Limited Partnership Agreement of American Buildings Company Asia, L.P., dated August 15, 1995.(8) |
| 10.32 | Technology License Agreement between American Buildings Company Asia, L.P. and American Buildings Company International, Inc., dated August 15, 1995.(8) |
| 10.33 | Credit Agreement, dated as of December 4, 1997, among American Buildings Company, as Borrower, the several lenders from time to time party hereto, and Canadian Imperial Bank of Commerce, as Administrative Agent.(2) |
| 10.34 | First Amendment, dated as of December 15, 1997, to the Credit Agreement, dated as of December 4, 1997, among American Buildings Company, as Borrower, the several lenders from time to time party hereto, and Canadian Imperial Bank of Commerce, as Administrative Agent.(2) |
| 10.35 | Guarantee and Collateral Agreement, dated as of December 4, 1997, |

made by American Buildings Company and certain of its subsidiaries in favor of Canadian Imperial Bank of Commerce, as Administrative Agent.(2)

10.36 Mortgage from American Buildings Company, Mortgagor, to Canadian Imperial Bank of Commerce, Mortgagee (Eufaula, Alabama).(2)



10.37 Mortgage from American Buildings Company, Mortgagor, to Canadian Imperial Bank of Commerce, Mortgagee (Fairfield, Alabama).(2)

10.38 Mortgage from American Buildings Company, Mortgagor, to Canadian Imperial Bank of Commerce, Mortgagee (El Paso, Illinois).(2)

10.39 Mortgage from American Buildings Company, Mortgagor, to Canadian Imperial Bank of Commerce, Mortgagee (Carson City, Nevada).(2)

10.40 Mortgage from American Buildings Company, Mortgagor, to Canadian Imperial Bank of Commerce, Mortgagee (La Crosse, Virginia).(2)

10.41 Mortgage from AMT/Beaman Corporation, Mortgagor, to Canadian Imperial Bank of Commerce, Mortgagee (Liberty, North Carolina).(2)

10.42 Mortgage from Windsor Door, Inc., Mortgagor, to Canadian Imperial Bank of Commerce, Mortgagee (Little Rock, Arkansas).(2)

10.43 Mortgage from Windsor Door, Inc., Mortgagor, to Canadian Imperial Bank of Commerce, Mortgagee (Oliverhurst, California).(2)

10.44 Second Amendment, dated as of March 10, 1999, to the Credit Agreement, dated as of December 4, 1997, among American Buildings Company, as Borrower, the several lenders from time to time party thereto, and Canadian Imperial Bank of Commerce, as Administrative Agent.

11 Computation of Earnings Per Share.

21 Subsidiaries of the Company.

23 Consent of Arthur Andersen LLP.

27.1 Financial Data Schedule - Year Ended December 31, 1998.

27.2 Restated Financial Data Schedule - Year Ended December 31, 1997.

27.3 Restated Financial Data Schedule - Year Ended December 31, 1996.

(b) Reports on Form 8-K.

None.

(c) Exhibits.

See (a)(3) above.

----------

(1) Incorporated by reference to Exhibits to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.

(2) Incorporated by reference to Exhibits to the Current Report on Form 8-K dated December 4, 1997.

(3) Incorporated by reference to Exhibits to the Registration Statement on Form S-1 (Registration No. 33-76054).

(4) Incorporated by reference to Exhibits to the Annual Report on Form 10-K for the year ended December 31, 1997.



(5) Incorporated by reference to Exhibits to the Registration Statement on Form S-8 (Registration No. 333- 64813).

(6) Incorporated by reference to Exhibits to the Registration Statement on Form S-8 (Registration No. 333- 64811).

(7) Incorporated by reference to Exhibits to the Annual Report on Form 10-K for the year ended December 31, 1994.

(8) Incorporated by reference to Exhibits to the Quarterly Report on Form 10-Q for the period ended September 30, 1995.



SIGNATURES

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

AMERICAN BUILDINGS COMPANY

By: /s/ Robert T. Ammerman
------------------------------------
Robert T. Ammerman,
President and Chief Executive Officer

March 25, 1999

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

| Signature | Title | Date |
|---|---|---|
| /s/ Robert T. Ammerman<br>----------------------------<br>Robert T. Ammerman | Chief Executive Officer and Director | March 25, 1999 |
| /s/ R. Charles Blackmon, Jr.<br>----------------------------<br>R. Charles Blackmon, Jr. | Executive Vice President - Chief Financial Officer (principal financial officer) | March 25, 1999 |
| /s/ Anne M. Savage<br>----------------------------<br>Anne M. Savage | Controller (principal accounting officer) | March 25, 1999 |
| /s/ William L. Selden<br>----------------------------<br>William L. Selden | Chairman of the Board and Director | March 25, 1999 |
| /s/ Harold Levy<br>----------------------------<br>Harold Levy | Director | March 25, 1999 |
| /s/ Douglas L. Newhouse<br>----------------------------<br>Douglas L. Newhouse | Director | March 25, 1999 |



| | | |
|---|---|---|
| /s/ Ralph Saul<br>----------------------------<br>Ralph Saul | Director | March 25, 1999 |

| | | |
|---|---|---|
| /s/ Robert F. Shapiro<br>---------------------------<br>Robert F. Shapiro | Director | March 25, 1999 |
| ---------------------------<br>Kendrick Wilson, III | Director | March __, 1999 |



Report of independent public accountants

To American Buildings Company:

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of AMERICAN BUILDINGS COMPANY AND SUBSIDIARIES as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998 and have issued our report thereon dated February 8, 1999. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a)(2) hereof is the responsibility of management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
February 8, 1999



SCHEDULE ll

AMERICAN BUILDINGS COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

(In Thousands)

<TABLE>
<CAPTION>

| | | Additions | | | |
|---|---|---|---|---|---|
| | Balance at Beginning of Year | Charged (Credited) to Costs and Expenses | Charged to Other Accounts | Deduction(2) | Balance at End of Year |
| <S> | <C> | <C> | <C> | <C> | <C> |
| YEAR ENDED DECEMBER 31, 1998: | | | | | |
| Allowance for doubtful accounts | $4,345 | $ 249 | $ 0 | $ (1,313) | $3,281 |

| | | | | | |
|---|---|---|---|---|---|
| YEAR ENDED DECEMBER 31, 1997: | | | | | |
| Allowance for doubtful accounts | $3,345 | $ (213) | $1,405(1) | $ (192) | $4,345 |
| YEAR ENDED DECEMBER 31, 1996: | | | | | |
| Allowance for doubtful accounts | $2,589 | $1,067 | $ 0 | $ (311) | $3,345 |

</TABLE>

------------
(1) Represents the allowance recorded in conjunction with acquired companies.

(2) Charges to the allowance for purposes for which the allowance was created.

# PLEDGE AGREEMENT

PLEDGE AGREEMENT, dated as of April __, 1998, made by AMERICAN BUILDINGS COMPANY, a Delaware corporation (the "Pledgor"), to CANADIAN IMPERIAL BANK OF COMMERCE (the "Agent"), in connection with the Reimbursement Agreement, as hereinafter defined.

W I T N E S S E T H:

WHEREAS, the Industrial Development Authority of Mecklenburg County, Virginia (the "Issuer") has issued its Industrial Development Revenue Bonds (American Buildings Company Project) Series 1994 (the "Bonds") under that Indenture of Trust dated as of December 1, 1994 (the "Indenture") between the Issuer and NationsBank of Virginia, N.A. ("NationsBank"), as trustee (NationsBank or any successor to NationsBank as trustee under the Indenture, the "Trustee");

WHEREAS, the Indenture provides for the purchase of the Bonds under certain circumstances as set forth in Sections 4.06 and 4.07 of the Indenture from the holders thereof;

WHEREAS, the Agent has, at the request of and for the account of the Pledgor, issued its irrevocable letter of credit (the "Letter of Credit") to support payments on and purchases of the Bonds and to replace an existing letter of credit issued by La Salle National Bank in connection with the issuance of the Bonds;

WHEREAS, the obligations of the Pledgor to reimburse the Agent, as Agent, are provided under and pursuant to the terms of a Credit Agreement, dated as of December 4, 1997 (as amended, supplemented or otherwise modified from time to time, the "Reimbursement Agreement"), among the Pledgor, as borrower, the lenders from time to time parties thereto (the "Lenders") and Canadian Imperial Bank of Commerce, as Administrative Agent. The proceeds of certain drawings under the Letter of Credit may be used, inter alia, to pay the purchase price of any Bonds tendered for purchase pursuant to the Indenture (to the extent moneys drawn under the Letter of Credit are used to purchase any such Bonds, such Bonds are hereinafter referred to as the "Bank Bonds"); and

WHEREAS, it is a condition precedent to the issuance of the Letter of Credit that the Pledgor shall have executed and delivered this Pledge Agreement to the Agent.

NOW, THEREFORE, in consideration of the premises and in order to induce the Agent to issue the Letter of Credit and for other good and valuable consideration, receipt of which is hereby acknowledged, the Pledgor hereby agrees with the Agent as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Indenture shall have such defined meanings when used herein.

2. Pledge. The Pledgor hereby (a) pledges, assigns, hypothecates, transfers and delivers to the Agent, for its benefit and the benefit of the Lenders, all its right, title and interest in and to the Bank Bonds, as the same may be from time to time delivered to the Trustee, the Remarketing Agent, the Tender Agent or the Company pursuant to the Indenture and (b) hereby grants to the Agent a first lien on, and first security interest in, its right, title and interest in and to the Bank Bonds, the interest thereon and all proceeds thereof, in each case as collateral security for the



prompt and complete payment when due of all amounts due with respect to the obligations of the Pledgor with respect to the Letter of Credit (including, without limitation, all reimbursement obligations, interest accruing thereon and any other amounts owing thereunder or in connection therewith; all the foregoing being hereinafter called the "Obligations").

3. Covenants. The Pledgor covenants and agrees with the Agent and the Lenders (as defined in the Reimbursement Agreement) that, from and after the date of this Pledge Agreement until this Pledge Agreement is terminated and the security interests created hereby are released:

(a) If, while this Pledge Agreement is in effect, the Pledgor shall become entitled to receive or shall receive any principal or interest payment with respect to the Bank Bonds, the Pledgor agrees to accept the same as the Agent's agent and to hold the same in trust on behalf of the Agent and to deliver the same forthwith to the Agent. All sums of money so paid with respect to the Bank Bonds which are received by the Pledgor and paid to the Agent shall be credited against the obligations of the Pledgor to the Agent with respect to the Letter of Credit.

(b) The Pledgor shall maintain any security interest created by this Pledge Agreement as a first, perfected security interest and shall defense such security interest against claims and demands of all Persons whomsoever. At any time and from time to time, upon the written request of the Agent, and at the sole expense of the Pledgor, the Pledgor will, or will cause the Trustee, the Remarketing Agent or Tender Agent to (as the case may be), promptly and duly execute and deliver such further instruments and documents and take such further actions as the Agent may reasonably request for the purposes of obtaining or preserving the full benefits of this Pledge Agreement and of the rights and powers herein granted, including, without limitation, instructions to the Depository Trust Company to register the Agent as the pledgee of any Bank Bonds (which registration shall not be changed without the prior written consent of the Agent). If any amount payable under or in connection with any Bank Bonds shall be or become evidenced by any promissory note, other instrument or chattel paper, such note, instrument or chattel paper shall be immediately delivered to the Agent, duly endorsed in a manner reasonably satisfactory to the Agent, to be held as collateral pursuant to this Pledge Agreement.

(c) The Borrower shall pay, and save the Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any Bank Bonds or in connection with any of the transactions contemplated by this Pledge Agreement.

4. Release of Bank Bonds. Upon a remarketing of the Bank Bonds (or any portion thereof) and receipt by the Agent of notice from the Tender Agent that the Tender Agent has received the proceeds of such remarketing for the benefit of the Agent in accordance with the provisions of Section 6.18 of the Indenture, the Agent agrees to release from the lien of this Pledge Agreement and deliver to the Remarketing Agent or the Pledgor, as appropriate under the Indenture, such Bank Bonds (or such portion thereof) for resale in accordance with the Indenture in an amount equal to the principal amount of such Bank Bonds together with interest accrued from the date to which interest has been paid.

5. Rights of the Agent. The Agent shall not be liable for failure to collect or realize upon the Obligations or any collateral security or guarantee therefor, or any part thereof, or for any delay in so doing nor shall it be under any obligation to take any action whatsoever with



regard thereto. If an Event of Default (as defined in the Reimbursement Agreement) has occurred and is continuing, the Agent may thereafter, without notice, exercise all rights, privileges or options pertaining to any Bank Bonds as if it were the absolute owner thereof, upon such terms and conditions as it may determine, all without liability except to account for property actually received by it, but the Agent shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible to the Pledgor for any failure to do so or delay in so doing.

6. Remedies. In the event that the Obligations have been declared due and payable pursuant to the Reimbursement Agreement, the Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Pledgor or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Bank Bonds, or any portion thereof, and/or may forthwith sell, assign, give option or options to purchase, contract to sell or otherwise dispose of and deliver said Bank Bonds, or any portion thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's

board or at any of the Agent's offices or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may in its sole discretion deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right to the Agent upon any such sale or sales, public or private, to purchase the whole or any portion of said Bank Bonds so sold, free of any right or equity of redemption in the Pledgor, which right or equity is hereby expressly waived or released; provided, that it is understood that any such sale of any Bank Bonds shall constitute a release thereof for purposes of the Letter of Credit to the extent of such sale. The Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping, sale, disposition or otherwise of any and all of the Bank Bonds or in enforcement of the rights of the Agent hereunder, including reasonable attorney's fees and legal expenses, to the payment, in whole or in part, of the Obligations in such order as the Agent may elect, the Pledgor remaining liable for any deficiency remaining unpaid after such application, and only after so applying such net proceeds and after the payment by the Agent of any other amount required to be paid by any provision of law, including, without limitation, Section 9-504(1)(c) of the Uniform Commercial Code of the State of New York, need the Agent account for the surplus, if any, to the Pledgor. The Pledgor agrees that the Agent need not give more than ten days' notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Pledgor if it has signed after default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and remedies granted to it in this Pledge Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Obligations, the Agent shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the State of New York. The Pledgor further agrees to waive and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the Uniform Commercial Code of the State of New York and the Pledgor shall be liable for the deficiency if the proceeds of any sale or other disposition of the Bank Bonds are insufficient to pay all amounts to which the Agent is entitled, including, without limitation, the fees, costs and expenses of any attorneys employed by the Agent to collect such deficiency.

7. Representations, Warranties and Covenants of the Pledgor. The Pledgor represents and warrants that: (a) on the date of delivery to the Agent of any Bank Bonds described herein, neither the Pledgor, nor, to the best of the Pledgor's knowledge, the Issuer, the Remarketing Agent, the Tender Agent or the Trustee will have any right, title or interest in and to the Bank Bonds (except as provided in the Indenture); (b) it has, and on the date of delivery to the Agent of any Bank



Bonds will have, full power, authority and legal right to pledge all of its right, title and interest in and to the Bank Bonds pursuant to this Pledge Agreement; (c) this Pledge Agreement has been duly authorized, executed and delivered by the Pledgor and constitutes a legal, valid and binding obligation of the Pledgor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, or similar laws affecting creditors' rights generally or by equitable principles; (d) no consent of any other party (including, without limitation, creditors of the Pledgor) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority, domestic or foreign, is required to be obtained by the Pledgor in connection with the execution, delivery or performance of this Pledge Agreement; (e) the execution, delivery and performance of this Pledge Agreement will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, or of any mortgage, indenture, lease, contract, or other agreement, instrument or undertaking to which the Pledgor is a party or which purports to be binding upon the Pledgor or upon its assets and will not result in the creation or imposition of any lien, charge or encumbrance on or security interest in any of the assets of the Pledgor except as contemplated by this Pledge Agreement; and (f) the pledge, assignment and delivery of such Bank Bonds pursuant to this Pledge Agreement will create a valid first lien on and a perfected first priority security interest (subject only to the satisfaction of the prerequisites for perfection) in all right, title or interest of the Pledgor in or to such Bank Bonds, and the proceeds thereof, subject to no prior pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance or to any agreement purporting to grant to any third party a security interest in the property or assets of the Pledgor which would include the Bank Bonds. The Pledgor covenants and agrees that it will defend the Agent's right, title and security interest in and to the Bank Bonds and the proceeds thereof against the claims and demands of any party whatsoever.

8. No Disposition, etc. Without the prior written consent of the Agent (which consent may only be given if such Bank Bonds have previously been released from the lien of this Pledge Agreement pursuant to Section 4 hereof), the Pledgor agrees that it will not sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Bank Bonds, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Bank Bonds, or any interest therein, or any proceeds thereof, except for the lien and security interest provided for by this Pledge Agreement and sale of the Bank Bonds pursuant to the Indenture.

9. Agent's Appointment as Attorney-in-Fact. (a) The Pledgor hereby irrevocably constitutes and appoints the Agent and any officer or agent of the Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Pledgor and in the name of the Pledgor or in the Agent's own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Pledge Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Pledge Agreement, including, without limitation, any financing

statements, endorsements, assignments or other instruments of transfer.

(b) The Pledgor hereby ratifies all that said attorneys shall lawfully do or cause to be done pursuant to the power of attorney granted in Section 9(a) hereof. All powers, authorizations and agencies contained in this Pledge Agreement are coupled with an interest and are irrevocable until this Pledge Agreement is terminated and the security interests created hereby are released.

10. Duty of Agent. The Agent's sole duty with respect to the custody,



safekeeping and physical preservation of the Bank Bonds in its possession, under Section 9- 207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent deals with similar securities and property for its own account, except that the Agent shall have no obligation to invest any funds it may receive in respect of the Bank Bonds. Neither the Agent, any Lender nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Bank Bonds or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Bank Bonds upon the request of the Pledgor or any other Person or to take any other action whatsoever with regard to the Bank Bonds or any part thereof.

11. Authority of Agent. The Pledgor acknowledges that the rights and responsibilities of the Agent under this Pledge Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any right or remedy provided for herein or resulting or arising out of this Pledge Agreement shall, as between the Agent and the Lenders, be governed by the Reimbursement Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Pledgor, the Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and the Pledgor shall not be under any obligation, or entitlement, to make any inquiry respecting such authority.

12. Further Assurances. The Pledgor agrees that at any time and from time to time upon the written request of the Agent, the Pledgor will execute and deliver such further documents and do such further acts and things as the Agent may reasonably request in order to effect the purposes of this Pledge Agreement.

13. Severability. Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14. No Waiver; Remedies Cumulative. The Agent shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies

hereunder and no waiver shall be valid unless in writing, signed by the Agent, and then only to the extent therein set forth. A waiver by the Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent would otherwise have on any future occasion. No failure to exercise nor any delay in exercising on the part of the Agent, any right, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by the operative documents (including without limitation, this Pledge Agreement, the Letter of Credit, the Reimbursement Agreement and the other Loan Documents (as defined in the Reimbursement Agreement)) or by law.

15. Waivers, Amendments; Applicable Law. None of the terms or provisions of this Pledge Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the Agent and the Pledgor. This Pledge Agreement and all obligations of the Pledgor hereunder shall be binding upon the successors and assigns of the Pledgor, and shall, together with the rights and remedies of the Agent hereunder, inure to the benefit of the Agent and its successors and assigns. This Pledge Agreement shall be governed by, and be construed and interpreted in accordance with, the laws of the State of New York.



IN WITNESS WHEREOF, the Pledgor has caused this Pledge Agreement to be duly executed and delivered under seal on the day and year first above written.

AMERICAN BUILDINGS COMPANY

By: /s/________________________________
Name: _____________________________
Title: ____________________________

Accepted by:

CANADIAN IMPERIAL BANK OF COMMERCE,
as Administrative Agent under the Credit Agreement

By: CIBC OPPENHEIMER CORP., as Agent

By: /s/____________________________
Name: _______________________________
Title: _______________________________

SECOND AMENDMENT

SECOND AMENDMENT, dated as of March 10, 1999 (this "Amendment"), to the Credit Agreement, dated as of December 4, 1997 (as amended by the First Amendment and Release thereto, dated as of December 15, 1997 and this Amendment, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among AMERICAN BUILDINGS COMPANY, a Delaware corporation (the "Borrower"), the several banks and other financial institutions or entities from time to time parties thereto (the "Lenders") and CANADIAN IMPERIAL BANK OF COMMERCE, as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make, and have made, certain loans and other extensions of credit to the Borrower; and

WHEREAS, the Borrower has requested, and, upon this Amendment becoming effective, the Lenders have agreed, that certain provisions of the Credit Agreement be amended in the manner provided for in this Amendment;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

2. Amendment to Subsection 7.6. Subsection 7.6 is hereby amended by deleting clause (ii) of such subsection in its entirety and inserting in lieu thereof the following:

(ii) the Borrower may repurchase shares of its common stock so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom and so long as the aggregate amount thereof does not exceed $20,000,000 during the period from the Closing Date until the Revolving Credit Termination Date.

3. Conditions to Effectiveness. This Amendment shall become effective on the date on which the following conditions precedent are satisfied (the "Second Amendment Effective Date"):



(a) The Borrower, the Subsidiary Guarantors and the Required Lenders shall have duly executed and delivered this Amendment to the Administrative Agent.

(b) No Default or Event of Default shall have occurred and be continuing on such date of or after giving effect to this Amendment.

(c) The representations and warranties made by the Borrower in the Credit Agreement are true and correct in all material respects on and as of the date hereof, after giving effect to this Amendment, as if made on and as of the date hereof.

4. No Other Amendments; Confirmation. Except as expressly amended, modified and supplemented hereby, the provisions of the Credit Agreement are and shall remain in full force and effect. The amendments provided for herein are limited to the specific subsections of the Credit Agreement specified herein and shall not constitute a consent, waiver or amendment of, or an indication of the Administrative Agent's or the Lenders' willingness to consent to any action requiring consent under, any other provisions of the Credit Agreement or the same subsection for any other date or time period.

5. Expenses. The Borrower agrees to pay and reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

6. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Amendment may be delivered by facsimile transmission of the relevant signature pages hereof.

7. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.



IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

AMERICAN BUILDINGS COMPANY

By: /s/___________________________

Title:

CANADIAN IMPERIAL BANK OF COMMERCE, as Administrative Agent

By: CIBC OPPENHEIMER CORP., as agent

By: /s/____________________________
Title:

CIBC INC., as a Lender

By: CIBC OPPENHEIMER CORP., as agent

By: /s/____________________________
Title:

BANKERS TRUST COMPANY, as a Lender

By: /s/____________________________
Title:

FIRST UNION NATIONAL BANK, as a Lender

By: /s/____________________________
Title:



FLEET CAPITAL CORPORATION, as a Lender

By: /s/____________________________
Title:

SOUTHTRUST BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/____________________________
Title:

SUNTRUST BANK, ATLANTA, as a Lender

By: /s/____________________________
Title:

Acknowledged and consented to by:

ABC TRANSPORTATION COMPANY

ABC BROKERAGE CO.

ABC RESIDENTIAL COMPANY

AMERICAN BUILDINGS COMPANY
INTERNATIONAL, INC.

AMT/BEAMAN CORPORATION

GLOBAL MODULAR, INC.

WINDSOR DOOR, INC.

By: /s/____________________________
Title:

AMERICAN BUILDINGS COMPANY AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

(In Thousands, Except Per Share Data)

(Unaudited)

<TABLE>
<CAPTION>

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 1998 | 1997 | 1996 |
| <S> | <C> | <C> | <C> |
| Income from continuing operations | $ 17,745 | $ 16,613 | $ 12,507 |
| Discontinued operations: | | | |
| Loss from operations, net of tax | (1,404) | (762) | (60) |
| Loss on disposal, net of tax | (1,746) | -- | -- |
| Net income | $ 14,595 | $ 15,851 | $ 12,447 |
| Weighted Average Shares Outstanding - Basic | 5,291 | 5,291 | 5,699 |
| Add - Dilutive effect of outstanding options (as determined by the application of the treasury stock method) | 338 | 358 | 341 |
| Weighted Average Shares Outstanding - Diluted | 5,629 | 5,649 | 6,040 |
| Basic earnings per share: | | | |
| Income from continuing operations | $ 3.35 | $ 3.14 | $ 2.19 |
| Discontinued operations: | | | |
| Loss from operations, net of tax | (0.26) | (0.14) | (0.01) |
| Loss on disposal, net of tax | (0.33) | -- | -- |
| Net income | $ 2.76 | $ 3.00 | $ 2.18 |
| Dilluted earnings per share: | | | |
| Income from continuing operations | $ 3.15 | $ 2.94 | $ 2.07 |
| Discontinued operations: | | | |
| Loss from operations, net of tax | (0.25) | (0.13) | (0.01) |
| Loss on disposal, net of tax | (0.31) | -- | -- |
| Net income | $ 2.59 | $ 2.81 | $ 2.06 |

</TABLE>

EXHIBIT 21

SUBSIDIARIES

ABC Transportation Company
ABC Brokerage Co.
American Buildings Cayman Incorporated
American Buildings Company International, Inc.
ABC Residential Company
American Buildings Offshore, Inc.
AMT/Beaman Corporation
Global Modular, Inc.
Windsor Door, Inc.
Rescom Overhead Doors, Inc.

consent of independent public accountants

As independent public accountants, we hereby consent to the incorporation of our reports included (or incorporated by reference) in this Form 10-K into the Company's previously filed Registration Statements on Form S-8, File No. 33-86556, File No. 33-86558, File No. 33-86560, File No. 333-64811 and File No. 333-64813.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 25, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS AND THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY RERERENCE TO SUCH FINANCIAL STATEMENTS.
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|---|---|---|
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