PATRICK INDUSTRIES INC
Form S-3/A
January 25, 2008
As filed with the Securities and Exchange Commission on January 25, 2008

Registration No. 333-146824

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

PATRICK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Indiana	**35-1057796**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

107 W. Franklin Street

Elkhart, IN 46515

(574) 294-7511

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

Andy L. Nemeth
Executive Vice President-Finance and Chief Financial Officer
107 W. Franklin St.
Elkhart, IN 46515
Telephone: (574) 294-7511
(Name, address, including zip code, and telephone number,
including area code, of registrant's agent for service)

Copy to:

Robert A. Schreck, Jr.
Heidi Steele
McDermott Will & Emery LLP
227 West Monroe Street
Chicago, IL 60606
Telephone: (312) 372-2000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, please check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, please check the following box. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), shall determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell, and we are not soliciting an offer to buy, these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 25, 2008

Prospectus

PATRICK INDUSTRIES, INC.

Rights to Purchase up to 1,333,333 Shares of Common Stock

We are distributing, at no cost to holders of our common stock, non-transferable subscription rights to purchase an aggregate of 1,333,333 shares of our common stock. You will receive one subscription right for every share of common stock owned on , 2008, the record date. Each subscription right entitles you to purchase 0.222131 of a share of common stock at the subscription price of $11.25 per whole share.

The subscription rights are exercisable beginning on the date of this prospectus and will expire if they are not exercised by 5:00 p.m., New York City time, on , 2008 (the expiration date). We may extend the period for exercising rights in our sole discretion. If you wish to purchase shares, you should submit your subscription documents to the subscription agent, National City Bank, before that deadline or to your broker or bank at least 10 days before that deadline. Please see page 25 for further instructions for submitting subscriptions. All subscriptions will be held in escrow by the subscription agent through the expiration of the rights offering. You should carefully consider whether to exercise your subscription rights before expiration of the rights offering. Our board of directors has not made any recommendation regarding your exercise of the subscription rights. We reserve the right to cancel the rights offering at any time. The subscription rights may not be sold or transferred.

We will not issue fractional shares. If the number of subscription rights you receive would otherwise permit you to purchase a fraction of a share, the number of shares that you may purchase will be rounded down to the nearest whole share.

Concurrently with this registered rights offering, we are distributing in a private placement with two of our shareholders, Tontine Capital Partners, L.P. and its affiliate, Tontine Capital Overseas Master Fund, L.P. (collectively, Tontine Capital), subscription rights to purchase 509,366 shares of our common stock, representing Tontine Capital s pro rata portion of the total 1,333,333 shares offered in the rights offering, at the same $11.25 subscription price. The 1,333,333 shares referred to herein include the 509,366 shares to be issued in this separate private placement upon the exercise of the subscription rights being distributed to Tontine Capital. If any rights remain unexercised after the closing of the rights offering, Tontine Capital also has agreed, pursuant to a Standby Purchase Agreement with us, dated September 17, 2007 (the Standby Purchase Agreement), and subject to certain conditions and limitations, to purchase all of the shares of our common stock not subscribed for in the rights offering by our other shareholders at a price per share equal to the rights offering subscription price of $11.25 per whole share. We intend to amend the Form S-3 resale registration statement that was filed with the Securities and Exchange Commission (the SEC) on August 14, 2007 and declared effective on December 28, 2007, to register the additional shares purchased by Tontine Capital both upon exercise of their subscription rights and pursuant to the Standby Purchase Agreement. At January 1, 2008, Tontine Capital held approximately 38% of our outstanding common stock.

The issuance and sale of shares of common stock pursuant to the rights offering and the Standby Purchase Agreement and the transactions contemplated thereunder were approved by our shareholders at a special meeting held on November 29, 2007. The shares are being offered directly by us without the services of an underwriter or selling agent.

Our common stock is listed on The Nasdaq Global Market (Nasdaq) under the symbol PATK. The subscription price of $11.25 per share is 16.3% higher than the closing price of our common stock of $9.67 on January 24, 2008.

Investing in our common stock involves significant risk. See Risk Factors beginning on page 13 of this prospectus for a discussion of certain risks you should consider before exercising your subscription rights.

	Price Per Share	**Proceeds to Patrick Industries, Inc.**
Offering Price to Shareholders	$11.25	$14,999,996 (1)

(1) Before deduction of estimated expenses of $200,415, including accounting fees, legal fees, printing expenses and other miscellaneous expenses.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is January , 2008

2

TABLE OF CONTENTS

No person has been authorized to give any information or to make any representation not contained or incorporated by reference in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company. Neither the delivery of this prospectus nor any sale made hereunder or thereunder shall, under any circumstances, create an implication that the information contained herein is correct as of any date subsequent to the date hereof or thereof or that there has been no change in the affairs of the Company since the date hereof or thereof. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Unless otherwise indicated or the context otherwise requires in this prospectus:

- the terms Patrick, we, us, our, and the Company refer to Patrick Industries, Inc. and its subsidiaries;
- all references to fiscal years, when used with respect to Patrick, refer to our fiscal years which end on December 31. For example, a reference to fiscal 2006 means the twelve month period that ended December 31, 2006; and
- currency amounts are stated in United States dollars ($, dollars, or U.S. $).

QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING

The following are examples of what we anticipate will be common questions about the rights offering. The answers are based on selected information from this prospectus and the documents incorporated by reference herein. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the rights offering. This prospectus and the documents incorporated by reference herein contain more detailed descriptions of the terms and conditions of the rights offering and provide additional information about us and our business, including potential risks related to the rights offering, the common stock of the Company, and our business.

Exercising the rights and investing in our common stock involves significant risks. We urge you to carefully read the section entitled Risk Factors beginning on page 13 of this prospectus and the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, and all other information included or incorporated herein by reference in this prospectus in its entirety before you decide whether to exercise your rights.

What is the rights offering?

We are distributing at no cost to holders of our common stock as of 5:00 p.m., New York City time, on _____________, 2008, the record date, subscription rights to purchase shares of our common stock. You will receive one subscription right for each share of common stock you own at the close of business on the record date. Each subscription right entitles a shareholder to purchase 0.222131 of a share of common stock for the subscription price of $11.25 per whole share. Each right will be evidenced by a rights certificate.

How many shares may I purchase, if I exercise my rights?

We are distributing to you, as a shareholder of record on the record date, one subscription right for each share of our common stock you own at that time. Each right entitles you to purchase 0.222131 of a share of common stock at the subscription price of $11.25 per whole share. For example, if you owned 1,000 shares of our common stock on the record date and you were granted one right for each share of our common stock you owned at that time, then you have the right to purchase 222 shares of common stock for $11.25 per share. You may exercise any number of whole subscription rights, or you may choose not to exercise any subscription rights.

If you hold your shares in the name of a broker, bank, or other nominee who uses the services of the Depository Trust Company, or DTC, then DTC will issue one right to the nominee for each share of our common stock you own at the record date. Each right can then be used to purchase 0.222131 of a share of common stock for $11.25 per share. As in the example above, if you owned 1,000 shares of our common stock on the record date, you would have the right to purchase 222 shares of common stock for $11.25 per share.

We will not issue fractional shares. If the number of subscription rights you receive would otherwise permit you to purchase a fraction of a share, the number of shares that you may purchase will be rounded down to the nearest whole share. Any excess subscription payments received by the subscription agent will be refunded, without interest, as soon as practicable.

Why are we conducting the rights offering?

We are conducting the rights offering to raise equity capital in order to prepay a major portion of the $13,975,000 in principal amount of the Company s 9.5% Senior Subordinated Promissory Notes (the Senior Notes) owing to Tontine Capital that was provided by Tontine Capital to fund, in part, our acquisition of Adorn Holdings, Inc. in May 2007 (the Adorn Acquisition). We will use the net proceeds from the rights offering, along with the proceeds from the proposed sale of up to 40,000 shares of our common stock to certain management employees at the same $11.25 per share price, to prepay the Senior Notes in full and to pay related interest paid in kind and accrued interest. Under the Company s senior secured credit facility, lenders will permit the Senior Notes to be prepaid only with the proceeds of new equity. The rights offering will strengthen our financial condition by allowing us to prepay our Senior Notes, thereby increasing our financial flexibility and cash flow. A rights offering also provides our shareholders the opportunity to participate in this transaction and thereby maintain their proportionate ownership interest in the Company, compared to the ownership dilution that could result if we pursued a different form of equity financing to prepay the Senior Notes. If we are unable to complete the rights offering, we may be required to seek alternative sources of equity capital to prepay the Senior Notes, which may not be available on commercially reasonable terms, if at all. If we are unable to prepay the Senior Notes by May 18, 2008, the interest rate will increase to 13.5% and our financial condition may be adversely affected.

What is the role of Tontine Capital in this offering?

In connection with the rights offering, we have entered into the Standby Purchase Agreement with Tontine Capital. Subject to the terms and conditions of the Standby Purchase Agreement, we are obligated to sell in a private placement, and Tontine Capital is obligated to purchase from us, (i) its pro rata portion of the shares offered in the rights offering, and (ii) any and all shares of our common stock issuable upon the exercise of any rights that remain unexercised by other shareholders at the closing of the rights offering subscription period. The price per share paid by Tontine Capital for such common stock will be equal to the $11.25 subscription price per share in the rights offering. We intend to amend the Form S-3 resale registration statement that was filed with the SEC on August 14, 2007, and declared effective on December 28, 2007, to register the additional shares purchased by Tontine Capital, both upon the exercise of their subscription rights in the rights offering and pursuant to the Standby Purchase Agreement. Tontine Capital did not receive any compensation for entering into the Standby Purchase Agreement.

At January 1, 2008, Tontine Capital owned approximately 38% of our common stock. If no shareholder other than Tontine Capital subscribes for shares offered in the rights offering and Tontine Capital purchases all unsubscribed shares pursuant to its obligations as set forth in the Standby Purchase Agreement, Tontine Capital s ownership will be approximately 49% of our outstanding common stock after the rights offering. We have agreed to amend our Rights Agreement (as defined below) to permit Tontine Capital to acquire more than 40% of our outstanding common stock if their ownership interests will exceed the 40% threshold after the close of the rights offering and the purchase of shares pursuant to its standby commitment. For additional detail regarding our Rights Agreement, see the section of this prospectus entitled Description of Capital Stock Shareholder Rights Agreement on page 31.

How was the subscription price of $11.25 per share determined?

Our board of directors determined the $11.25 per share subscription price after considering the likely cost of capital from other sources, negotiations with Tontine Capital as standby purchaser, historical and current trading prices for our common stock, and our desire to prepay the Senior Notes prior to the increase in interest rate on May 18, 2008. The $11.25 per share price is equal to the price paid by Tontine Capital for the 980,000 shares issued to Tontine Capital in a private placement on May 18, 2007, the proceeds of which were used to finance, in part, the Adorn Acquisition. The board also sought to provide an incentive to shareholders to participate in the rights offering by setting the subscription price below the market price at the time. On September 17, 2007, for example, when we executed the Standby Purchase Agreement with Tontine Capital, the $11.25 per share subscription price represented a 5.1% discount to the closing price of our common stock on that date of $11.85. On January 24, 2008, however, the subscription price of $11.25 per share was 16.3% higher than the $9.67 closing price of our common stock on that date. The subscription price does not necessarily bear any relationship to the book value of our assets, net worth, past operations, cash flows, profits and losses, financial condition or any other established criteria used to value securities. You should not consider the subscription price to be an indication of the fair value of the common stock to be offered in the rights offering.

Am I required to exercise all of the rights I receive in the rights offering?

No. You may exercise any number of your rights, or you may choose not to exercise any rights. If you do not exercise any rights, the number of shares of our common stock you own will not change. However, if you do not exercise any rights or fewer than all of your rights, your percentage ownership after the exercise of the rights by other shareholders will be diluted. The percentage ownership of shareholders who do not exercise any rights or fewer than all of their rights will be diluted because shares are expected to be purchased by other shareholders in the rights offering and, subject to certain conditions and limitations, Tontine Capital will be required pursuant to the Standby Purchase Agreement to purchase any shares not subscribed for in the rights offering.

Am I required to exercise my rights, if I voted to approve the rights offering and Standby Purchase Agreement at the special meeting?

No. If you voted to approve the rights offering at the special meeting, you are not obligated to participate in the rights offering. You should make an independent investment decision about whether or not to exercise your rights.

How soon must I act to exercise my rights?

The rights may be exercised beginning on the effective date of this prospectus through the expiration date, which is ___________, 2008, at 5:00 p.m., New York City time, unless extended by us. If you elect to exercise any rights, the subscription agent must actually receive all required documents and payments from you or your broker or nominee at or before the expiration date, unless you are following the guaranteed delivery procedures. If you are following the guaranteed delivery procedures, the subscription agent must receive your Notice of Guaranteed Delivery at or before the expiration date and all required documents and payments by 5:00 p.m., New York City time, on the third business day after the expiration date. Your payment will be considered received by the subscription agent only upon clearance of any uncertified check deposited by the subscription agent; receipt by the subscription agent of any certified check, cashier s check or bank draft drawn upon a U.S. bank, any express money order or any wire transfer; or receipt of collected funds in the subscription agent s account as of 5:00 p.m., New York City time, on the expiration date, or if you are following the guaranteed delivery procedures, as of 5:00 p.m., New York City time, on the third business day after the expiration date. Although we have the option of extending the expiration date of the subscription period, we currently do not intend to do so.

When will I receive my subscription rights?

Promptly after the date of this prospectus, the subscription agent will send a subscription rights certificate to each registered holder of our common stock as of 5:00 p.m., New York City time, on the record date, based on our shareholders registry maintained at the transfer agent for our common stock. If you hold your shares of common stock through a brokerage account, bank or other nominee, you will not receive an actual subscription rights certificate. Instead you will receive an election form sent by your broker, bank or other nominee. As described in this prospectus, you must complete this form to instruct your broker, bank or nominee whether or not to exercise rights on your behalf. If you wish to obtain a separate subscription rights certificate, you should promptly contact your broker, bank or other nominee and request a separate subscription rights certificate. It is not necessary to have a physical subscription rights certificate to elect to exercise your rights.

May I transfer my rights?

No. Should you choose not to exercise your subscription rights, you may not sell, give away or otherwise transfer your subscription rights.

Is there a minimum subscription to complete the rights offering?

No, there is no minimum subscription to complete the rights offering.

Can our board of directors cancel, amend or extend the rights offering?

Yes. Our board of directors may decide to cancel or terminate the rights offering at any time before the expiration of the rights offering and for any reason. If our board of directors cancels or terminates the rights offering, we will issue a press release notifying shareholders of the cancellation or termination, and any money received from subscribing shareholders will be returned, without interest or deduction, as soon as practicable.

We may amend the terms or extend the subscription period of the rights offering. If we amend the terms of the rights offering in a manner that we, in our sole discretion, deem material, we will issue a press release and mail notice to all shareholders, extend the expiration date by at least 10 days and give you the right to cancel your subscription. The period for exercising your subscription rights may be extended by our board of directors, although we do not presently intend to do so. The extension of the expiration date will not, in and of itself, be treated as a material amendment for these purposes.

Has our board of directors made a recommendation to our shareholders regarding the exercise of rights under the rights offering?

Our board of directors has not made any recommendation to shareholders regarding the exercise of rights under the rights offering. You should make an independent investment decision about whether or not to exercise your rights.

Shareholders who exercise rights risk investment loss on new money invested. As of the date of this prospectus, the market price for our common stock was below the subscription price of $11.25. The market price for our common stock fluctuates and may be higher or lower than the subscription price when you decide whether to participate in the rights offering. If you participate in the rights offering, we cannot assure that you will be able to sell those shares in the future at the same price or a higher price. If you do not exercise your rights, you will lose any value represented by your rights and your percentage ownership interest in our company will be diluted. For more information on the risks of participating in the rights offering, see the section of this prospectus entitled Risk Factors on page 13.

How do I exercise my rights? What forms and payment are required to purchase the shares of common stock?

If you wish to participate in the rights offering, you must take the following steps, unless your shares are held by a broker, bank or other nominee:

deliver payment to the subscription agent using the methods outlined in this prospectus before 5:00 p.m., New York City time, on _____________, 2008, unless extended; and

deliver a properly completed subscription rights certificate to the subscription agent before 5:00 p.m., New York City time, on _____________, 2008, unless extended.

Your payment will be considered received by the subscription agent only upon clearance of any uncertified check deposited by the subscription agent; receipt by the subscription agent of any certified check, cashier s check or bank draft drawn upon a U.S. bank, any express money order or any wire transfer; or receipt of collected funds in the subscription agent s account as of 5:00 p.m., New York City time, on the expiration date.

If you cannot deliver your rights certificate to the subscription agent prior to the expiration of the rights offering, you may follow the guaranteed delivery provisions described under The Rights Offering - Guaranteed Delivery Procedures on page 29.

If you send a payment that is insufficient to purchase the number of shares you subscribed for, or if the number of shares you wish to subscribe for is not specified in the forms, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of payment received, subject to the elimination of fractional shares. If the payment exceeds the subscription price for the full exercise of your subscription rights (to the extent specified by you), the excess will be refunded to you as soon as practicable. You will not receive interest on any payments refunded to you under the rights offering.

What should I do, if I want to participate in the rights offering, but my shares are held in the name of my broker, bank or other nominee?

If you hold your shares of our common stock in the name of a broker, bank or other nominee, then your broker, bank or other nominee is the record holder of the shares you own. The record holder must exercise the rights on your behalf for the shares of common stock you wish to purchase.

If you wish to participate in the rights offering and purchase shares of common stock, please promptly contact the record holder of your shares. We will ask your broker, bank or other nominee to notify you of the rights offering and to send to you an election form for exercising your rights. You should receive this form from your record holder with the other rights offering materials.

When will I receive my new shares?

If you purchase shares of our common stock in the rights offering, you will receive your new shares as soon as practicable after the closing of the rights offering.

After I send in my payment and rights certificate, may I change or cancel my exercise of rights?

No. Unless we give you a right of cancellation as a result of a material (as determined by us in our sole discretion) change to the terms of the rights offering, all exercises of rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your rights. You should not exercise your rights, unless you are certain that you wish to purchase additional shares of our common stock at a price of $11.25 per share.

How much money will the Company receive from the rights offering?

If we sell all 1,333,333 shares being offered in the rights offering, we will receive proceeds of approximately $15,000,000 before deducting the related offering expenses. While we are offering shares in the rights offering with no minimum purchase requirement, Tontine Capital has, subject to certain conditions and limitations, agreed to purchase all of the shares of our common stock not subscribed for in the rights offering by other shareholders at a price per share equal to the rights offering subscription price. Accordingly, even if Tontine Capital is the only participant in the rights offering, we expect to receive proceeds from the rights offering of approximately $15,000,000.

In addition, our shareholders have approved an offer of up to 130,000 shares of our common stock to certain management employees at the same $11.25 price per share as is being offered to shareholders in the rights offering. We have received indications from these management employees that they will purchase approximately 40,000 shares. If the rights offering closes and these management employees purchase 40,000 shares, we will raise additional proceeds of $450,000.

See the sections of this prospectus entitled Use of Proceeds and The Rights Offering Standby Purchase Agreement on pages 19 and 23, respectively.

Are there risks in exercising my subscription rights?

Yes. The exercise of your subscription rights involves significant risk. Exercising your subscription rights means buying additional shares of our common stock and should be considered as carefully as you would consider any other equity investment. You should carefully read the section entitled Risk Factors beginning on page 13 of this prospectus and the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, and all other information included or incorporated herein by reference in this prospectus in its entirety before you decide whether to exercise your rights.

8

How many shares of common stock will be outstanding after the rights offering?

At January 1, 2008, there were 6,002,461 shares of common stock issued and outstanding. Based upon the 1,333,333 shares to be issued pursuant to the rights offering and assuming the purchase of 40,000 shares, which certain management employees have indicated they will purchase, we would have 7,375,794 shares of common stock outstanding after the closing of the rights offering and the purchase of shares by certain management employees.

If the rights offering is not completed, will my subscription payment be refunded to me?

Yes. The subscription agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If the rights offering is not completed, we will instruct the subscription agent to return your payment in full. If you own shares in street name, it may take longer for you to receive payment, because the subscription agent will send payments through the record holder of your shares. You will not be credited interest on any payments refunded to you in the rights offering.

Will the rights be listed on a stock exchange or national market?

The rights may not be sold, transferred or assigned and will not be listed on Nasdaq or any other stock exchange or national market. Our common stock will continue to trade on Nasdaq under the symbol PATK, and the shares to be issued to you in connection with the rights offering will be eligible for trading on Nasdaq.

What fees or charges apply, if I purchase shares of common stock?

We are not charging any fee or sales commission to issue rights to you or to issue shares to you if you exercise your rights. If you exercise your rights through the record holder of your shares, you are responsible for paying any fees your record holder may charge you.

What are the U.S. federal income tax consequences of exercising rights?

A holder should not recognize income or loss for U.S. federal income tax purposes in connection with the receipt or exercise of subscription rights in the rights offering. You should consult your tax advisor as to the particular consequences to you of the rights offering. For a more detailed discussion, see U.S. Federal Income Tax Considerations on page 34.

To whom should I send my forms and payment?

If your shares are held in the name of a broker, bank or other nominee, then you should follow the instructions you receive from that record holder with regard to exercising your subscription rights. If you are the record holder, you should deliver your rights certificate, payment of the subscription price (unless you decide to wire your payment) and any notices of guaranteed delivery to National City Bank, which is acting as our subscription agent, by first-class mail to:

National City Bank

c/o The Colbent Corp.

P.O. Box 859208

Braintree, MA 02185-9208

or by hand, express mail, or overnight courier to:

National City Bank

c/o The Colbent Corp.

161 Bay State Drive

Braintree, MA 02184

9

Your delivery to an address other than the addresses set forth above will not constitute valid delivery.

Payment of the subscription price by wire transfer may be made as provided under The Rights Offering - Method of Payment of Subscription Price on page 26.

You are solely responsible for completing delivery to the subscription agent of your subscription documents, rights certificate, and payment. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent.

Whom should I contact, if I have other questions?

If you have other questions or need assistance, please contact National City Shareholder Communications at 1-800-622-6757 or send an email to shareholder.inquiries@nationalcity.com.

PROSPECTUS SUMMARY

This summary highlights important features of this offering and the information included or incorporated by reference in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus and any documents incorporated by reference carefully.

Exercising the rights and investing in our common stock involves significant risks. We urge you to carefully read the section entitled Risk Factors beginning on page 13 of this prospectus and the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, and all other information included or incorporated by reference in this prospectus in its entirety before you decide whether to exercise your rights.

Our Business

Patrick Industries, Inc. is a leading manufacturer and supplier of building products and materials to the manufactured housing and recreational vehicle industries. In addition, we are a supplier to certain other industrial markets, such as kitchen cabinet, furniture manufacturing, office furniture, commercial fixtures and furnishings, marine, architectural, and the automotive market. We manufacture decorative vinyl and paper panels, wrapped mouldings, cabinet doors, components for electronic desks, countertops, aluminum extrusions, drawer sides, and adhesives. We are also an independent wholesale distributor of pre-finished wall and ceiling panels, drywall and drywall finishing products, particleboard, vinyl and cement siding, interior passage doors, roofing products, high pressure laminates, decorative mirrors and glass, insulation, and other related products.

We have a nationwide network of distribution centers for our products, thereby reducing in-transit delivery time and cost to the regional manufacturing plants of our customers. We believe that we are one of the few suppliers to the manufactured housing and recreational vehicle industries that has such a nationwide network. We maintain six manufacturing plants and a distribution facility near our principal offices in Elkhart, Indiana, and operate twelve other warehouse and distribution centers and twelve other manufacturing plants in thirteen other states. One manufacturing plant located in Nevada was closed in December 2006. In conjunction with the Adorn Acquisition, we have closed, or are in the process of closing and consolidating, certain duplicative operations or facilities located in North Carolina, Georgia, Alabama, Texas, Oregon, and Indiana.

On January 29, 2007, we purchased the assets of American Hardwoods, Inc., an $18 million supplier of hardwood products to the industrial markets located in Phoenix, Arizona. On May 18, 2007, we acquired Adorn Holdings, Inc., a $240 million Elkhart, Indiana-based manufacturer and supplier of component products to the recreational vehicle and manufactured housing industries.

The Company is an Indiana corporation and was founded in 1959 and incorporated in 1961. For a more comprehensive overview of our business strategy, we refer you to Item 1 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which is hereby incorporated by reference.

Summary of the Rights Offering

Subscription Right	If you are a holder of record of our common stock at the close of business on _____________, 2008, we are distributing to you, at no cost, one non-transferable subscription right to purchase 0.222131 of a share of our common stock for every share of common stock you own.
Subscription Price	$11.25 per share in cash.
Market Price	On January 24, 2008, the last reported sale price of our common stock on Nasdaq was $9.67 per share.
Common Stock Outstanding after Rights Offering	Assuming all rights are exercised, an aggregate of approximately 1,333,333 shares will be sold. These shares, when added to the 6,002,461 shares of common stock outstanding on January 1, 2008 and approximately 40,000 shares expected to be sold to certain management employees, would result in a total of 7,375,794 shares of common stock outstanding after the rights offering and the purchase of shares by certain management employees.
Non-Transferability of Rights	The rights may be exercised only by the persons to whom they are granted and may not be sold, given away or otherwise transferred.
Record Date	_____________, 2008.
Expiration Time	5:00 p.m., New York City time, on _____________, 2008, unless extended by us.
Standby Commitment	Pursuant to a Standby Purchase Agreement, Tontine Capital has agreed to purchase in a private placement (i) its pro rata portion of the shares offered in the rights offering and (ii) any and all of the shares not subscribed for by other shareholders in the rights offering at the $11.25 per share rights offering subscription price. At January 1, 2008, Tontine Capital held approximately 38% of our outstanding common stock and, collectively, is our largest shareholder.
Sale to Certain Management Employees	At a special meeting held on November 29, 2007, our shareholders approved an offer of up to 130,000 shares of our common stock to certain management employees at the same $11.25 price per share as is being offered to shareholders in the rights offering. The majority of shares to be issued to management employees under this proposal will go to individuals who became employees as a result of the Adorn Acquisition. We have received preliminary indications from our management employees that they will purchase approximately 40,000 shares of common stock. Our Executive Vice President and Chief Financial Officer, Andy L. Nemeth, and our Executive Vice President of Operations, Todd M. Cleveland, intend to participate in this offer to certain management employees, among others.
Revocation	YOU MAY NOT REVOKE AN EXERCISE OF RIGHTS, UNLESS WE AMEND THE TERMS OF THE OFFERING IN A MANNER WE DEEM, IN OUR SOLE DISCRETION, TO BE MATERIAL.

Procedure for Exercising Rights

If you are the record holder, you may exercise your rights by properly completing and signing your rights certificate. You must deliver your rights certificate to National City Bank, which is acting as the subscription agent for the rights offering. The subscription agent will not accept a facsimile transmission of your completed rights certificate. This delivery must be accompanied by full payment of the subscription price for each share you wish to purchase. If you send your rights certificate by mail, we recommend that you send it by registered mail, properly insured, with return receipt requested. Your payment will be considered received by the subscription agent only upon clearance of any uncertified check deposited by the subscription agent; receipt by the subscription agent of any certified check, cashier s check or bank draft drawn upon a U.S. bank, any express money order or any wire transfer; or receipt of collected funds in the subscription agent s account as of 5:00 p.m., New York City time, on the expiration date.

See The Rights Offering - Method of Subscription - Exercise of Rights.

Exercise by Beneficial Holders

If you hold shares of our common stock through a broker, bank or other nominee, you will need to have your broker, bank or other nominee act for you if you wish to exercise your rights. We will ask your broker, bank or other nominee to notify you of the rights offering and to send to you an election form for exercising your rights. You should receive this form from your record holder with the other rights offering materials. See The Rights Offering - Beneficial Owners.

Issuance of Common Stock

We will deliver to you certificates representing common stock purchased upon exercise of your subscription rights as soon as practicable after the expiration date. We have the discretion to delay distribution of any shares you may elect to purchase by exercise of rights if necessary to comply with securities laws. No interest will be paid to you on the funds you deposit with the subscription agent.

Use of Proceeds

The proceeds from the sale of the common stock offered in the rights offering, before payment of fees and expenses, are anticipated to be approximately $15,000,000. We intend to use the proceeds from the rights offering, together with the expected proceeds of $450,000 from the sale of approximately 40,000 shares of common stock to certain management employees, to prepay in full $13,975,000 in principal amount of Senior Notes issued to Tontine Capital to finance, in part, the Adorn Acquisition, as well as to pay related interest paid in kind and accrued interest.

No Board Recommendation

Our board of directors has not made any recommendation as to whether you should exercise your rights. You should make those decisions based upon your own assessment of your best interests.

Risk Factors

An investment in our common stock involves significant risks. Please see Risk Factors for a discussion of some of the risks involved in investing in our common stock.

U.S. Federal Income Tax Consequences of Rights Offering

You should not recognize any gain or other income or loss for U.S. federal income tax purposes upon receipt or exercise of a subscription right. You should consult your own tax advisor as to the tax consequences to you of the receipt, exercise or lapse of the rights in light of your particular circumstances.

Subscription Agent	National City Bank
Amendment, Extension or Termination of Rights Offering	We reserve the right, in our discretion, to (a) amend or modify the terms of the rights offering; (b) extend the expiration time to a later date; and (c) terminate the rights offering at any time for any reason. If we amend the terms of the rights offering in a manner we deem, in our sole discretion, to be material, we will issue a press release and mail notice to all shareholders, extend the expiration date by at least 10 days, and give you the right to cancel your subscription.
Fees and Expenses	We will pay all fees and expenses relating to the rights offering.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms may, should, could, anticipate, believe, estimate, expect, objectiv project and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to inherent risks and uncertainties that may cause actual results or events to differ materially from those contemplated by such forward-looking statements. In addition to the assumptions and other factors referred to specifically in connection with such statements, factors that may cause actual results or events to differ materially from those contemplated by such forward-looking statements include, without limitation, general economic conditions, variation in demand from customers, the impact on the economy of terrorist attacks and other geopolitical activity, continued market acceptance of the Company s new product introductions, the successful integration of business unit acquisitions and related restructuring, operating margin risk due to competitive pricing and operating efficiencies, supply chain risk, material or labor cost increases, foreign currency fluctuations, interest rate risk, and other factors that may be referred to or noted in the Company s reports filed with the SEC from time to time.

RISK FACTORS

In addition to the other information in this prospectus, including the matters addressed in Cautionary Note Regarding Forward-Looking Information, you should consider the matters described below before deciding whether to invest in our common stock.

Risks Related to This Offering.

The subscription price in the rights offering is not an indication of the fair value of our common stock.

The subscription price in the rights offering of $11.25 per share was set by our board. In determining the subscription price, the board considered a number of factors, including negotiations with Tontine Capital; our need for capital; our business prospects; the historical and current market price of our common stock; general conditions in the securities market; our operating history; and the liquidity of our common stock. The board also sought to provide an incentive to shareholders to participate in the rights offering by setting the subscription price below the market price at the time. On September 17, 2007, for example, when we executed the Standby Purchase Agreement with Tontine Capital, the $11.25 per share subscription price represented a 5.1% discount to the closing price of our common stock on that date of $11.85. On January 24, 2008, however, the subscription price of $11.25 per share was 16.3% higher than the $9.67 closing price of our common stock on that date. The subscription price does not necessarily bear any relationship to the book value of our assets, net worth, past operations, cash flows, profits and losses, financial condition or any other established criteria for fair value. You should not consider the subscription price as an indication of the fair value of our common stock. After the date of this prospectus, our common stock may trade at prices above or below the subscription price. We cannot assure you that you will be able to sell common stock purchased in this offering at a price equal to or greater than the subscription price.

The rights offering may cause the price of our common stock to decline immediately, and this decline may continue.

The number of shares of common stock we will issue if the rights offering is completed may result in an immediate decrease in the market value of our common stock. This decrease may continue after the completion of this offering.

You may suffer dilution of your percentage ownership of our common stock.

If you do not exercise your subscription rights in full, your proportionate voting and ownership interest will be diluted. For example, if you own 10,000 shares of common stock before this offering, or approximately 0.17% of our outstanding common stock, and you do not exercise any of your subscription rights while all other subscription rights are exercised by other shareholders, your percentage ownership would be reduced to approximately 0.14%. The magnitude of the reduction of your percentage ownership will depend upon the number of shares of common stock you hold and the extent to which you exercise your subscription rights.

Shareholders who exercise rights risk investment loss on new money invested.

As of the date of this prospectus, the market price of our common stock was lower than the subscription price. The market price for our common stock fluctuates and may be higher or lower than the subscription price when you decide whether to participate in the rights offering. If you participate in the rights offering, we cannot assure that you will be able to sell those shares in the future at the same price or a higher price.

If the rights offering is consummated, our common stock ownership will likely be further concentrated in the hands of Tontine Capital, whose interests may not coincide with yours.

In connection with the rights offering, we entered into the Standby Purchase Agreement with Tontine Capital, pursuant to which Tontine Capital is obligated to purchase (i) its pro rata portion of the shares offered in the rights offering and (ii) any and all shares issuable upon the exercise of rights that remain unexercised by other shareholders at the closing of the rights offering subscription period. To the extent that holders of our common stock do not exercise their rights, Tontine Capital, as the standby purchaser, will increase its substantial ownership interest in the Company. As a result, Tontine Capital may increase its ability to influence the election of our board of directors and the approval of other matters presented for consideration by the shareholders, which could include mergers, acquisitions, amendments to our charter, and various corporate governance actions. The increase in Tontine Capital s ownership percentage will occur only to the extent other shareholders choose not to exercise their subscription rights fully. At January 1, 2008, Tontine Capital owned approximately 38% of our outstanding common stock.

Once you exercise your subscription rights, you may not revoke the exercise even if there is a decline in the price of our common stock or if we decide to extend the expiration date of the subscription period, unless we amend the terms of the rights offering in a manner that we, in our sole discretion, deem material.

You may not revoke an exercise of rights, unless we amend the terms of the offering in a manner we deem, in our sole discretion, to be material. The market price of our common stock could be subject to wide fluctuations in response to numerous factors, some of which are beyond our control. These factors include, among other things, actual or anticipated variations in our operating results and cash flow, the nature and content of our earnings releases and our competitors earnings releases, as well as general economic and market conditions, such as recessions. We cannot assure you that the public trading market price of our common stock will not decline after you elect to exercise your rights. If that occurs, you may have committed to buy shares of common stock in the rights offering at a price greater than the prevailing market price, and could have an immediate unrealized loss.

Moreover, we cannot assure you that following the exercise of your rights you will be able to sell your common stock at a price equal to or greater than the subscription price. Until shares are delivered upon expiration of

the rights offering, you will not be able to sell the shares of our common stock that you purchase in the rights offering. Certificates representing shares of our common stock purchased will be delivered as soon as practicable after expiration of the rights offering.

You need to act promptly and follow subscription instructions, otherwise your subscription may be rejected.

Shareholders who desire to purchase common stock in this offering must act promptly to ensure that all required forms and payments are actually received by the subscription agent prior to the 5:00 p.m., New York City time, on the expiration date. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures that apply to your desired transaction, the subscription agent may reject your subscription or accept it to the extent of the payment received. In addition, if you hold shares of our common stock through a broker, bank or other nominee, we will ask your broker, bank or other nominee to notify you of the rights offering and to send to you an election form for exercising your rights. You should receive this form from your record holder. Neither we nor our subscription agent undertakes to contact you or your broker, bank or other nominee concerning an incomplete or incorrect subscription form or payment, nor do we have an obligation to attempt to correct such problems. We have the sole discretion to determine whether a subscription exercise properly follows the subscription procedures.

Neither we, nor the subscription agent, will have any obligation to you, if this offering is canceled, other than to refund your subscription payments, without interest.

Neither we, nor the subscription agent, will have any obligation to you if this offering is canceled, other than to refund your subscription payments, without interest.

Risks Relating to Our Business.

The manufactured housing and recreational vehicle industries are highly competitive, and some of our competitors may have greater resources than we do.

We operate in a highly competitive business environment and our sales could be negatively impacted by our inability to maintain or increase prices, changes in geographic or product mix, or the decision of our customers to purchase competitive products instead of our products. We compete not only with other manufactured housing and recreational vehicle producers, but also traditional site-built homebuilders and suppliers of cabinetry and flooring. Sales could also be affected by pricing, purchasing, financing, operational, advertising, promotional, or other decisions made by purchasers of our products.

The cyclical nature of the domestic housing market has caused our sales and operating results to fluctuate. These fluctuations may continue in the future, which could result in operating losses during downturns.

The U.S. housing industry is highly cyclical and is influenced by many national and regional economic and demographic factors, including:

- terms and availability of financing for homebuyers and retailers;
- consumer confidence;
- interest rates;
- population and employment trends;
- income levels;
- housing demand; and
- general economic conditions, including inflation, and recessions.

The manufactured housing and recreational vehicle industries and the industrial markets are affected by the fluctuations in the residential housing market. As a result of the foregoing factors, our sales and operating results fluctuate, and we expect that they will continue to fluctuate in the future. Moreover, we may experience operating losses during cyclical and seasonal downturns in the residential housing market.

The current downturn in the residential housing market has had an adverse impact on our operations.

Approximately 80 to 85% of our revenue is directly or indirectly influenced by conditions in the residential housing market. In 2007, the residential housing market experienced overall declines that are expected to continue through 2008. The decline in demand for residential housing and the tightening of consumer credit have lowered demand for our products and have had an adverse impact on our operations, which may continue in 2008.

Seasonality and cyclical economic conditions affect the markets the Company serves.

The manufactured housing and recreational vehicle markets are cyclical and dependent upon various factors, including interest rates, access to financing, inventory and production levels. Economic and demographic factors can cause substantial fluctuations in production, which in turn impact sales and operating results. Demand for recreational vehicles and manufactured housing generally declines during the winter season. Our sales levels and operating results could be negatively impacted by changes in any of these items.

Increased cost and limited availability of raw materials may have a material adverse effect on our business and results of operations.

Prices of certain materials, including gypsum, lauan, particleboard, MDF, aluminum and other products, can be volatile and change dramatically with changes in supply and demand. Certain products are purchased from overseas and are dependent upon vessel shipping schedules and port availability. Further, certain of our commodity product suppliers often operate at or near capacity, resulting in some products having the potential of being put on allocation. Our sales levels and operating results could be negatively impacted by changes in any of these items.

The ability to attract and retain qualified executive officers and key personnel may adversely affect our operations.

The loss of any of our executive officers or other key personnel could reduce our ability to manage our business and strategic plan in the short term and could cause our sales and operating results to decline.

Our ability to integrate acquired businesses may adversely affect operations.

As part of our business and strategic plan, we continue to look for strategic acquisitions to provide accretive shareholder value. In 2007, we acquired American Hardwoods, Inc. and Adorn Holdings, Inc. These acquisitions, and any future acquisitions, require the effective integration of an existing business and its administrative, financial, sales and marketing, and manufacturing and other functions to maximize synergies. These acquisitions involve a number of risks that may affect our financial performance including increased leverage, diversion of management resources, assumption of liabilities of the acquired businesses, and possible corporate culture conflicts. If we are unable to successfully integrate these acquisitions, we may not realize the benefits identified in our due diligence process, and our financial results may be negatively impacted. Additionally, significant unexpected liabilities may arise after completion of these acquisitions.

Increased levels of indebtedness may harm our financial condition and results of operations.

On May 18, 2007, in connection with the Adorn Acquisition, we entered into a Credit Agreement with eight financial institutions to establish a five-year senior secured credit facility comprised of a five-year $35,000,000 revolving line of credit and a $75,000,000 term loan. In addition, pursuant to a Securities Purchase Agreement, dated April 10, 2007, Tontine Capital provided interim debt financing in connection with the Adorn Acquisition in the aggregate amount of $13,975,000 in exchange for the 9.5% Senior Notes. The proceeds of these financings were used to finance the Adorn Acquisition, to provide liquidity for the working capital needs of the combined companies and to repay borrowings under our previous credit facility. Our increased indebtedness as a result of the Adorn Acquisition as well as our greater need for working capital may harm our financial condition and negatively impact our results of operations. The increase in our level of indebtedness could have consequences on our future operations, including (i) making it more difficult for us to meet our payments on other outstanding debt; (ii) an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which could result in all of our debt becoming immediately due and payable; (iii) reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes; (iv) limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business and the industry in which we operate; and (v) placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged. If the $13,975,000 principal amount of Senior Notes is not prepaid by May 18, 2008, the interest rate increases from 9.5% to 13.5%.

Increased levels of inventory may adversely affect our profitability.

Our customers generally do not maintain long-term supply contracts and, therefore, we must bear the risk of advance estimation of customer orders. We maintain a substantial inventory to support these customers needs. Changes in demand, market conditions or product specifications could result in material obsolescence and a lack of alternative markets for certain of our customer specific products and could negatively impact operating results.

A variety of factors could influence fluctuations in the market price for our common stock.

The market price of our common stock could fluctuate in the future in response to a number of factors, including those discussed below. The market price of our common stock has in the past fluctuated and is likely to continue to fluctuate. Some of the factors that may cause the price of our common stock to fluctuate include:

- variations in our and our competitors operating results;
- historically low trading volume;
- high concentration of shares held by institutional investors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- the gain or loss of significant customers;
- additions or departure of key personnel;
- events affecting other companies that the market deems comparable to us;
- general conditions in industries in which we operate;
- general conditions in the United States and abroad;
- the presence or absence of short selling of our common stock;
- future sales of our common stock or debt securities; and
- announcements by us or our competitors of technological improvements or new products.

Fluctuations in the stock market may have an adverse effect upon the price of our common stock.

The stock markets in general have experienced substantial price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the trading price of our common stock.

Ownership of a significant portion of our common stock is concentrated in the hands of a few holders.

At January 1, 2008, we had 6,002,461 shares of common stock outstanding. We cannot predict the effect, if any, that future sales of shares of common stock, including the common stock offered pursuant to this prospectus, the common stock issuable upon the exercise of options, or the availability of shares of common stock for future sale, will have on the market price of our common stock prevailing from time to time.

At January 1, 2008, Tontine Capital owned 2,293,089 shares of common stock or approximately 38% of our total common stock outstanding. Pursuant to the Standby Purchase Agreement, Tontine Capital has agreed that, upon the expiration of the rights offering, it will purchase in a private placement (i) its pro rata portion of the shares offered in the rights offering, and (ii) any and all shares not subscribed for by other shareholders in the rights offering at the $11.25 per share subscription price. As a result, Tontine Capital may further increase its percentage ownership. In addition, based on filings made with the SEC, we are aware of 4 other institutions that each hold in excess of 5% of our outstanding common stock. We are not able to predict whether or when Tontine Capital or the other institutions will sell substantial amounts of our common stock. Sales of our common stock by these institutions could adversely affect prevailing market prices for our common stock.

We could be influenced by Tontine Capital, whose interests may not be aligned with the interests of our other shareholders.

At January 1, 2008, Tontine Capital held approximately 38% of our outstanding common stock. Pursuant to the Standby Purchase Agreement, Tontine Capital is acting as the standby purchaser of any and all shares not subscribed for by other shareholders in the rights offering and, as a result, may further increase its percentage ownership. As a result of its substantial ownership interest, Tontine Capital may be able to influence all matters requiring shareholder approval, including the election of our directors, the adoption of amendments to our Articles of Incorporation, the approval of mergers and sales of all or substantially all of our assets, decisions affecting our capital structure and other significant corporate transactions. In addition, pursuant to the Securities Purchase Agreement, dated April 10, 2007, Tontine Capital currently has the right to appoint two directors to our board of directors. The interests of Tontine Capital may not in all cases be aligned with the interests of our other shareholders. The influence of Tontine Capital may also have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management or limiting the ability of our shareholders to approve transactions that they may deem to be in their best interests. In addition, Tontine Capital and its affiliates are in the business of investing in companies and may, from time to time, invest in companies that compete directly or indirectly with us. Tontine Capital and its affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Certain provisions in our Articles of Incorporation and By-laws may delay, defer or prevent a change in control that our shareholders each might consider to be in their best interest.

Our Articles of Incorporation and By-laws contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making them unacceptably expensive to the raider and to encourage prospective acquirors to negotiate with our board of directors rather than to attempt a hostile takeover.

On March 21, 2006, our board adopted a Rights Agreement with National City Bank as our rights agent (the Rights Agreement). The Rights Agreement permits under certain circumstances each holder of common stock, other than potential acquirors, to purchase one one-hundredth of a share of a newly created series of our preferred stock at a purchase price of $30 or to acquire additional shares of our common stock at 50% of the current market price. The rights are not exercisable or transferable until a person or group acquires 20% or more of our outstanding common stock, except with respect to Tontine Capital and its affiliates and associates, who are currently permitted to acquire up to 40% of our outstanding common stock. We have agreed to amend the Rights Agreement to permit Tontine Capital and its affiliates and associates to acquire more than 40% of our outstanding common stock if their ownership interests will exceed the 40% threshold after the close of the rights offering and the purchase of shares pursuant to the Standby Purchase Agreement.

Insurance Coverages and Terms and Conditions.

We negotiate our insurance contracts annually for property, casualty, workers compensation, general liability, health insurance, and directors and officers liability coverage. Due to conditions within these insurance markets and other factors beyond our control, future coverage limits, terms and conditions and the amount of the related premiums could have a negative impact on our operating results. While we continually measure the risk/reward of policy limits and coverage, the lack of coverage in certain circumstances could result in potential uninsured losses.

USE OF PROCEEDS

If all the subscription rights are exercised, we will receive aggregate proceeds of approximately $15,000,000 before payment of expenses of the rights offering. In addition, if all 40,000 shares certain management employees have indicated they will purchase at $11.25 per share are purchased, we will receive additional proceeds of $450,000. We will use the entire net proceeds from the rights offering, along with the net proceeds from the sale of 40,000 shares of common stock to certain management employees, to prepay the $13,975,000 in principal amount of Senior Notes issued to Tontine Capital to finance, in part, the Adorn Acquisition, as well as to pay related interest paid in kind and accrued interest. The Senior Notes bear interest at a rate of 9.5% per annum until May 18, 2008, at which point the interest rate increases to 13.5% per annum. At the Company s option, interest on the notes may be paid in cash or in kind. Interest on the notes is payable semi-annually on June 30 and December 31 of each year, with any interest paid in kind and all accrued interest payable in conjunction with the final principal payment on May 18, 2010. Principal payments on the notes are due as follows: $1,397,500 on May 18, 2008, $5,590,000 on May 18, 2009, and $6,987,500 on May 18, 2010. The notes may be prepaid at any time without penalty.

The following table describes the expected use of proceeds from the rights offering and the proposed sale of shares to certain management employees, assuming a closing date for the rights offering of February 28, 2008:

		(Dollars in thousands)
Proceeds from the rights offering and the proposed sale to management employees	$	15,450
Repayment of Senior Notes		(13,975)
Payment of interest paid in kind and accrued interest on Senior Notes		(1,052)
Payment of estimated transaction fees and expenses		(200)
Balance to cash		(223)
	$	0

19

CAPITALIZATION

The following table describes our cash and cash equivalents and capitalization as of September 30, 2007, on an actual basis and as adjusted to give effect to (i) the sale of approximately 1,333,333 shares in the rights offering and pursuant to the Standby Purchase Agreement, and the sale of 40,000 shares to certain management employees, each at a price of $11.25 per share, and (ii) the application of the net proceeds therefrom as described under Use of Proceeds, assuming a closing date of September 30, 2007.

	At September 30, 2007	
	Historical	Pro Forma
	(Dollars in thousands)	
Cash and cash equivalents (1)	$ 2,633	$ 3,410
Debt (including current portion):		
Senior secured credit facility	$ 62,611	$ 62,611
Senior subordinated notes	13,975	
Industrial revenue bonds	6,913	6,913
Total senior debt (including current portion)	83,499	69,524
Shareholders equity:		
Common stock, no par value, authorized 12,000,000 shares; 20,000,000 shares as adjusted (2); 5,997,177 shares outstanding; 7,370,510 shares outstanding as adjusted	32,451	47,701
Preferred stock, Series A, no par value, authorized 1,000,000 shares, 1,000,000 shares as adjusted, no shares outstanding		
Additional paid-in capital	253	253
Accumulated other comprehensive income (loss)	(398)	(398)
Retained earnings	43,891	43,891
Total stockholders equity	76,197	91,447
Total capitalization	$ 159,696	$ 160,971

(1) The pro forma column reflects an increase of $777,000 in cash after the application of proceeds, compared to an increase of $223,000 in cash as described under Use of Proceeds, due to the difference between payment of accrued interest of $498,000 at the closing date of September 30, 2007 assumed under Capitalization, and payment of interest paid in kind and accrued interest of $1,052,000 at the closing date of February 28, 2008 assumed under Use of Proceeds.

(2) At a special meeting held on November 29, 2007, our shareholders approved an amendment to our Articles of Incorporation authorizing 20,000,000 shares of common stock and that amendment became effective on December 13, 2007.

THE RIGHTS OFFERING

Our board of directors and our shareholders have approved the issuance of equity capital through the rights offering to all of our shareholders. Through this prospectus, we are offering common stock that rights holders may purchase upon exercising their subscription rights.

Background of the Rights Offering

We are undertaking the rights offering to raise additional capital to prepay a major portion of the interim debt financing that was provided by Tontine Capital to fund, in part, the Adorn Acquisition and to provide our shareholders the opportunity to make an additional investment in us.

The Subscription Rights

We are distributing, at no cost, to shareholders of record of our common stock as of the close of business, New York City time, on _____________, 2008, one subscription right for every share of our common stock that they hold on the record date. Each right entitles its holder to purchase 0.222131 of a share of our common stock at a subscription price of $11.25 per share. We will not issue fractional shares. If the number of subscription rights you receive would otherwise permit you to purchase a fraction of a share, the number of shares you may purchase will be rounded down to the nearest whole share.

Your subscription rights entitle you to purchase 0.222131 of a share of our common stock per subscription right, upon delivery of the required documents and payment of the subscription price of $11.25 per share. You are not required to exercise all of your subscription rights. We will deliver to the record holders who purchase shares in the rights offering, certificates representing the shares purchased as soon as practicable after the rights offering has expired.

Effects on Ownership of Certain Beneficial Owners and Management

The following table sets forth information on the beneficial ownership of our common stock as of January 1, 2008 by persons known to beneficially own more than 5% of our common stock, our directors and our executive officers as well as the potential effects on such ownership from the rights offering. Note that beneficial ownership information includes shares which may be acquired by a specified person on the exercise of stock options, whereas the number of shares which may be purchased in the rights offering by such person is based only on the number of shares actually owned by such person.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class	Percentage of Class if all Holders Exercise Subscription Rights (1)(2)	Percentage of Class if only Standby Purchaser Exercises Subscription Rights (2)(3)
	2,293,089 (4)	38.2%	38.2%	49.4%
Jeffrey L. Gendell				

c/o Tontine Capital Management, L.L.C. 55 Railroad Avenue, 1st Floor, Greenwich, CT 06830				
Clearbridge Advisors, LLC 399 Park Avenue New York, NY 10022	442,045 (5)	7.4%	7.4%	6.0%

21

Dimensional Fund Advisors, Inc. 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401	394,080 (6)	6.6%	6.6%	5.4%
Heartland Advisors, Inc. 789 North Water Street Milwaukee, WI 53202	383,729 (7)	6.4%	6.4%	5.2%
Wilen Management Company, Inc. 2360 West Joppa Road, Suite 226 Lutherville, MD 21093	301,828 (8)	5.0%	5.0%	4.1%
Paul Hassler	64,544 (9)	1.1%	1.1%	*
Robert C. Timmins	63,800	1.1%	1.1%	*
Andy L. Nemeth	38,354 (10)	*	* (11)	*
John H. McDermott	38,500	*	*	*
Keith V. Kankel	29,186	*	*	*
Larry D. Renbarger	29,000	*	*	*
Terrence D. Brennan	21,500	*	*	*
Walter E. Wells	21,500	*	*	*
Harold E. Wyland	14,000	*	*	*
Gregory J. Scharnott	5,288 (12)	*	*	*
Directors and Executive Officers as a group (10 persons)	325,672	5.4%	5.4%	4.4%

* Less than 1%.

(1) Assumes 100% participation in the rights offering.
(2) Column does not reflect the proposed sale of 40,000 shares of common stock to certain management employees.
(3) Percentage assumes no participation in the rights offering by shareholders except Tontine Capital. Under the Standby Purchase Agreement, Tontine Capital has agreed that upon the expiration of the rights offering it will purchase in a private placement (i) 509,366 shares of our common stock, which is equal to its pro rata portion of the shares offered in the rights offering; and (ii) any and all of the shares of our common stock not subscribed for in the rights offering by other shareholders.
(4) Information based on the Schedule 13D/A filed jointly by Tontine Capital Management, L.L.C. (TCM), Tontine Capital Partners, L.P. (TCP), Tontine Capital Overseas Master Fund, L.P. (TCO), Tontine Capital Overseas GP, L.L.C. (TCO GP) and Jeffrey L. Gendell on May 24, 2007. Includes 1,834,469 shares owned directly by TCP and 458,620 shares owned directly by TCO. Mr. Gendell is the managing member of TCM, the general partner of TCP. Mr. Gendell is also the managing member of TCO GP, the general partner of TCO.
(5) Information based on institutional ownership report provided by Nasdaq as of December 12, 2007.
(6) Information based on institutional ownership report provided by Nasdaq as of December 12, 2007.
(7) Information based on institutional ownership report provided by Nasdaq as of December 12, 2007.
(8) Information based on institutional ownership report provided by Nasdaq as of December 12, 2007.
(9) Includes 30,625 options which are exercisable within 60 days of January 1, 2008.
(10) Includes 18,125 options which are exercisable within 60 days of January 1, 2008.
(11) Mr. Nemeth will also be offered 1,000 shares of common stock under the proposed sale of approximately 40,000 shares of our common stock to certain management employees at $11.25 per share.
(12) Mr. Scharnott resigned from the Company on March 12, 2007. Because Mr. Scharnott was one of our