

AZZ INC
Form 10-Q
January 08, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-12777

AZZ incorporated

(Exact name of registrant as specified in its charter)

TEXAS
(State or other jurisdiction of
incorporation of organization)

75-0948250
(I.R.S. Employer
Identification No.)

Suite 200, 1300 South University Drive, Fort Worth, Texas
(Address of principal executive offices)

76107
(Zip Code)

(817) 810-0095

Registrant's telephone number, including area code:

NONE

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Outstanding at November 30, 2007

Common Stock, \$1.00 Par Value
Class

12,113,392
Number of Shares

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PART I. FINANCIAL INFORMATION

Item I. Financial Statements

AZZ incorporated

CONSOLIDATED BALANCE SHEETS

| | 11/30/07 (UNAUDITED) | 02/28/07 |
|---|-------------------------|----------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| CASH AND CASH EQUIVALENTS | \$ 2,162,281 | \$ 1,703,092 |
| ACCOUNTS RECEIVABLE (NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS) | 50,424,314 | 50,277,554 |
| INVENTORIES | | |
| RAW MATERIAL | 32,832,166 | 31,723,816 |
| WORK-IN-PROCESS | 10,234,444 | 11,457,856 |
| FINISHED GOODS | 2,802,245 | 2,305,594 |
| COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS | 12,843,870 | 8,286,324 |
| DEFERRED INCOME TAXES | 4,153,253 | 4,224,294 |
| PREPAID EXPENSES AND OTHER | 933,095 | 1,988,834 |
| TOTAL CURRENT ASSETS | 116,385,668 | 111,967,364 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 48,606,282 | 46,628,319 |
| GOODWILL | 40,962,104 | 40,962,104 |
| OTHER ASSETS | 1,245,880 | 1,349,791 |
| | \$ 207,199,934 | \$ 200,907,578 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| CURRENT LIABILITIES: | | |
| ACCOUNTS PAYABLE | \$ 18,974,997 | \$ 25,316,165 |
| INCOME TAX PAYABLE | 1,508,780 | 688,000 |
| ACCRUED SALARIES AND WAGES | 4,437,272 | 5,025,508 |
| OTHER ACCRUED LIABILITIES | 14,981,200 | 13,716,603 |
| CUSTOMER ADVANCE PAYMENT | 2,871,070 | 2,900,702 |
| BILLINGS IN EXCESS OF COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS | 4,335,417 | 2,067,945 |
| TOTAL CURRENT LIABILITIES | 47,108,736 | 49,714,923 |
| LONG-TERM DEBT DUE AFTER ONE YEAR | 17,000,000 | 35,200,000 |
| DEFERRED INCOME TAXES | 4,434,316 | 4,844,405 |
| SHAREHOLDERS' EQUITY: | | |
| COMMON STOCK, \$1 PAR VALUE SHARES AUTHORIZED-25,000,000 SHARES ISSUED 12,609,160 | 12,609,160 | 12,609,160 |
| CAPITAL IN EXCESS OF PAR VALUE | 16,140,604 | 11,086,703 |
| CUMULATIVE OTHER COMPREHENSIVE INCOME | 7,155 | 28,621 |
| RETAINED EARNINGS | 112,221,395 | 91,861,526 |
| LESS COMMON STOCK HELD IN TREASURY, AT COST (495,768 SHARES AT NOVEMBER 30, 2007 AND 954,996 SHARES AT FEBRUARY 28, 2007) | (2,321,432) | (4,437,760) |
| TOTAL SHAREHOLDERS' EQUITY | 138,656,882 | 111,148,250 |

\$ 207,199,934 \$ 200,907,578

See accompanying notes to consolidated financial statements

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PART I. FINANCIAL INFORMATION

Item I. Financial Statements

AZZ incorporated

CONSOLIDATED INCOME STATEMENTS

| | THREE MONTHS ENDED | | NINE MONTHS ENDED | |
|--|--------------------|---------------|-------------------|----------------|
| | 11/30/07 | 11/30/06 | 11/30/07 | 11/30/06 |
| | (UNAUDITED) | (UNAUDITED) | (UNAUDITED) | (UNAUDITED) |
| NET SALES | \$ 86,593,180 | \$ 65,361,466 | \$ 243,576,501 | \$ 180,696,131 |
| COSTS AND EXPENSES | | | | |
| COST OF SALES | 66,369,431 | 48,246,544 | 182,943,181 | 132,804,658 |
| SELLING, GENERAL AND ADMINISTRATIVE | 7,449,000 | 8,737,726 | 27,816,380 | 24,539,638 |
| INTEREST EXPENSE | 341,954 | 342,150 | 1,261,297 | 1,007,957 |
| NET (GAIN) LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT | (33,819) | (238,641) | (32,725) | (675,680) |
| OTHER (INCOME) | (236,639) | (105,614) | (793,009) | (374,077) |
| | 73,889,927 | 56,982,165 | 211,195,124 | 157,302,496 |
| INCOME BEFORE INCOME TAXES AND ACCOUNTING CHANGE | 12,703,253 | 8,379,301 | 32,381,377 | 23,393,635 |
| INCOME TAX EXPENSE | 4,611,672 | 3,134,210 | 12,021,508 | 8,658,101 |
| INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | \$ 8,091,581 | \$ 5,245,091 | \$ 20,359,869 | \$ 14,735,534 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NET OF TAX) | | | | 85,344 |
| NET INCOME | \$ 8,091,581 | \$ 5,245,091 | \$ 20,359,869 | \$ 14,650,190 |
| EARNINGS PER COMMON SHARE | | | | |
| BASIC EARNINGS PER SHARE-BEFORE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | \$ 0.67 | \$ 0.45 | \$ 1.70 | \$ 1.27 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | \$ | \$ | \$ | \$ 0.01 |
| BASIC EARNINGS PER SHARE-AFTER EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | \$ 0.67 | \$ 0.45 | \$ 1.70 | \$ 1.26 |
| DILUTED EARNINGS PER SHARE-BEFORE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | \$ 0.66 | \$ 0.44 | \$ 1.67 | \$ 1.25 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | \$ | \$ | \$ | \$ 0.01 |
| DILUTED EARNINGS PER SHARE-AFTER EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | \$ 0.66 | \$ 0.44 | \$ 1.67 | \$ 1.24 |

See accompanying notes to consolidated financial statements

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PART I. FINANCIAL INFORMATION

Item I. Financial Statements

AZZ incorporated

CONSOLIDATED STATEMENTS OF CASH FLOW

| | NINE MONTHS ENDING | |
|--|---------------------|---------------------|
| | 11/30/07 | 11/30/06 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| NET INCOME | \$ 20,359,869 | \$ 14,650,190 |
| ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| PROVISION FOR DOUBTFUL ACCOUNTS | 34,405 | 224,338 |
| AMORTIZATION AND DEPRECIATION | 6,071,592 | 4,762,952 |
| DEFERRED INCOME TAX BENEFIT | (327,490) | (1,299,915) |
| NET (GAIN) LOSS ON SALE OR INSURANCE SETTLEMENT OF PROPERTY, PLANT & EQUIPMENT | (32,725) | (675,680) |
| NON-CASH INTEREST EXPENSE | 10,185 | 152,446 |
| NON-CASH COMPENSATION EXPENSE | 751,788 | 700,243 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | | 85,344 |
| EFFECTS OF CHANGES IN ASSETS & LIABILITIES: | | |
| ACCOUNTS RECEIVABLE | (181,163) | (5,125,269) |
| INVENTORIES | (381,590) | (20,716,943) |
| PREPAID EXPENSES AND OTHER | 1,055,739 | 1,041,523 |
| OTHER ASSETS | (89,283) | (30,618) |
| NET CHANGE IN BILLINGS RELATED TO COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS | (2,290,074) | (6,677,479) |
| ACCOUNTS PAYABLE | (6,341,168) | 10,392,431 |
| OTHER ACCRUED LIABILITIES AND INCOME TAXES | 1,467,508 | 10,065,773 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 20,107,593 | 7,549,336 |
| CASH FLOWS USED FOR INVESTING ACTIVITIES: | | |
| PROCEEDS FROM SALE OR INSURANCE SETTLEMENT OF PROPERTY, PLANT, AND EQUIPMENT | 217,748 | 714,556 |
| PURCHASE OF PROPERTY, PLANT AND EQUIPMENT | (8,084,593) | (7,006,852) |
| ACQUISITION OF SUBSIDIARIES | | (13,451,105) |
| NET CASH USED IN INVESTING ACTIVITIES | (7,866,845) | (19,743,401) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| PROCEEDS FROM EXERCISE OF STOCK OPTIONS | 3,364,792 | 1,085,285 |
| EXCESS TAX BENEFITS FROM STOCK OPTIONS EXERCISES | 3,053,649 | 174,228 |
| PROCEEDS FROM REVOLVING LOAN | | 32,840,482 |
| PAYMENTS ON LONG TERM DEBT | (18,200,000) | (22,015,482) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | (11,781,559) | 12,084,513 |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | 459,189 | (109,552) |
| CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD | 1,703,092 | 1,258,945 |

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| | | |
|--|--------------|--------------|
| CASH & CASH EQUIVALENTS AT END OF PERIOD | \$ 2,162,281 | \$ 1,149,393 |
| SUPPLEMENTAL DISCLOSURES | | |
| CASH PAID FOR INTEREST | \$ 1,385,741 | \$ 805,950 |
| CASH PAID FOR INCOME TAXES | \$ 8,657,785 | \$ 9,928,608 |

See accompanying notes to consolidated financial statements

Table of Contents**AZZ incorporated****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Summary of Significant Accounting Policies****1. Basis of presentation.**

These interim unaudited consolidated financial statements were prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the SEC rules and regulations referred to above. Accordingly, these financial statements should be read in conjunction with the audited financial statements and related notes for the fiscal year ended February 28, 2007 included in the Company's Annual Report on Form 10-K covering such period. For purposes of this report AZZ, the Company, we, our, us or similar references means AZZ incorporated and our consolidated subsidiaries.

Our fiscal year ends on the last day of February and is identified as the fiscal year for the calendar year in which it ends. For example, the fiscal year that ends February 29, 2008 is referred to as fiscal 2008.

In the opinion of management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the Company as of November 30, 2007, the results of its operations for the three-month and nine-month periods ended November 30, 2007 and 2006, and cash flows for the nine-month period ended November 30, 2007 and 2006.

2. Earnings per share.

Earnings per share is based on the weighted average number of shares outstanding during each period, adjusted for the dilutive effect of stock awards. The shares and earnings per share have been adjusted to reflect our two-for-one stock split, effected in the form of a share dividend on May 4, 2007.

The following table sets forth the computation of basic and diluted earnings per share:

| | Three months ended November 30, | | Nine months ended November 30, | |
|---|--|------------|-----------------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (Unaudited) | | | |
| | (In thousands except share and per share data) | | | |
| Numerator: | | | | |
| Income before cumulative effect of changes in accounting principles | \$ 8,092 | \$ 5,245 | \$ 20,360 | \$ 14,735 |
| Cumulative effect of accounting change | | | | (85) |
| Net income for basic and diluted earnings per common share | \$ 8,092 | \$ 5,245 | \$ 20,360 | \$ 14,650 |
| Denominator: | | | | |
| Denominator for basic earnings per common share weighted average shares | 12,101,722 | 11,629,208 | 11,976,296 | 11,584,622 |
| Effect of dilutive securities: | | | | |
| Employee and Director stock options awards | 192,018 | 285,292 | 222,216 | 206,888 |
| Denominator for diluted earnings per common share | 12,293,740 | 11,914,500 | 12,198,512 | 11,791,510 |

Earnings per share basic and diluted:

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| | | | | | | |
|--|----|-----|----|-----|---------|---------|
| Before cumulative effect of change in accounting principle | | | | | | |
| Basic earnings per common share | \$ | .67 | \$ | .45 | \$ 1.70 | \$ 1.27 |
| Diluted earnings per common share | \$ | .66 | \$ | .44 | \$ 1.67 | \$ 1.25 |
| After cumulative effect of change in accounting principles | | | | | | |
| Basic earnings per common share | \$ | .67 | \$ | .45 | \$ 1.70 | \$ 1.26 |
| Diluted earnings per common share | \$ | .66 | \$ | .44 | \$ 1.67 | \$ 1.24 |

Table of Contents**3. Comprehensive income.**

Total comprehensive income for the quarter ended November 30, 2007, was \$8,084,426 consisting of net income of \$8,091,581 and net changes in accumulated other comprehensive income of (\$7,155). For the nine-month period ended November 30, 2007, total comprehensive income was \$20,338,403 consisting of net income of \$20,359,869 and net changes in accumulated other comprehensive income of (\$21,466). Changes in other comprehensive income result from changes in fair value of the Company's cash flow hedges.

Total comprehensive income for the quarter ended November 30, 2006, was \$5,237,936 consisting of net income of \$5,245,091 and net changes in accumulated other comprehensive income of (\$7,155). For the nine-month period ended November 30, 2006, total comprehensive income was \$14,641,740 consisting of net income of \$14,650,190 and net changes in accumulated other comprehensive income of (\$8,450).

4. Stock-based compensation.

On April 7, 2005, the Company implemented Stock Appreciation Rights Plans (the Plans) for its key employees and directors. The purpose of the Plans is to enable the Company to attract and retain qualified key employees and directors by offering to them the opportunity to share in increases in the value of the Company to which they contribute. The Company made grants under the Plans in fiscal 2005 and fiscal 2006. The grants outstanding were 207,660 for fiscal 2006 grants as of November 30, 2007. The grants for fiscal 2005 were fully vested on February 28, 2007 and were paid in cash during the second quarter ended August 31, 2007 in the amount of \$4.4 million. The fiscal 2006 rights that have not previously accelerated due to events such as death or disability will vest on February 29, 2008. The value of each vested right will be paid in cash for rights vesting on the Company's earnings release date for the fiscal year ended February 29, 2008, and shall be equal to the excess, if any, (i) of the average of the closing prices of a share of Common Stock on the New York Stock Exchange for those days on which it trades during the ninety calendar days immediately following the public release of financial results for the period ended February 29, 2008, over (ii) the average of the closing prices of a share of Common Stock on the New York Stock Exchange for those days on which it trades during the ninety calendar days immediately following the Company's year end earnings release date, which was \$7.98 per share for the fiscal 2006 grants. To determine the cash payment, the excess in the average stock price will be multiplied by the number of Stock Appreciation Rights granted to each participant. The value of rights vesting before the normal vesting date will be measured by reference to the price of the Common Stock during a period at or near the accelerated vesting date. The Company recognized \$4.4 million for compensation expense related to the Stock Appreciation Rights Plans prior to February 28, 2007. Additional compensation expense related to these Stock Appreciation Rights Plans in the amount of \$4.1 million was recognized during the nine month period ended November 30, 2007 in accordance with FAS 123R. To date \$8.5 million of compensation expense has been recognized for these Stock Appreciation Rights.

During fiscal 2006, the Company adopted the AZZ incorporated 2005 Long-Term Incentive Plan (2005 Plan). The purpose of the 2005 Plan is to promote the growth and prosperity of the Company by permitting the Company to grant to its employees and directors restricted stock, performance awards, stock appreciation rights (SARs or Stock Appreciation Rights) and options to purchase Common Stock of the Company. The maximum number of shares that may be issued under the 2005 Plan is 500,000 shares. On June 1, 2006, 234,160 SARs were issued under the 2005 Plan with an exercise price of \$11.55. These awards qualify for equity treatment in accordance with FAS 123R. These stock appreciation rights have a three year cliff vesting schedule, but may vest early if accelerated vesting provisions in the plan are met. The weighted average fair value of SARs granted on June 1, 2006 was determined to be \$2.915 based on the following assumptions: risk-free interest rate of 5%, dividend yield of 0.0%, expected volatility of 27.81% and expected life of 3 years. During the second quarter ended August 31, 2007, the vesting date of

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22,720 Stock Appreciation Rights was accelerated due to the retirement of two directors and one employee. Compensation expense related to the June 1, 2006 grant was \$392,000 for fiscal 2007. Additional compensation in the amount of \$114,000 was recognized during the nine month period ended November 30, 2007. As of November 30, 2007, we had unrecognized cost of \$177,000 related to the June 1, 2006 SAR grants.

On March 1, 2007, 147,740 Stock Appreciation Rights were issued under the 2005 Plan with an exercise price of \$19.88. These Stock Appreciation Rights have a three year cliff vesting schedule, but may vest early if accelerated vesting provisions in the plan are met and qualify for equity treatment under SFAS 123R. The weighted average fair value of SARs granted on March 1, 2007, was determined to be \$5.535 based on the following assumptions: risk-free interest rate of 5%, dividend yield of 0.0%, expected volatility of 29.52% and expected life of 3 years. During the second quarter ended August 31, 2007, the vesting date of 5,920 Stock Appreciation Rights was accelerated due to the retirement of two of the Company's directors. Compensation expense in the amount of \$456,000 was recognized during the nine month period ended November 30, 2007. We had unrecognized cost of \$361,000 related to the March 1, 2007 SAR grants.

During the nine month period ended November 30, 2007, 382,818 stock options under the 2001 Long Term Incentive Plan and 61,000 stock options under the 1997 Non-Statutory Stock Option grants were exercised resulting in proceeds to the Company of \$3.4 million. These options were satisfied with treasury shares. A Federal income tax deduction was taken by the Company on these stock options in the amount of \$3.1 million.

5. Segments

We have two operating segments as defined in our Annual Report on Form 10-K for the year ended February 28, 2007. Information regarding operations and assets by segment is as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|----------------------------------|------------|----------------------|------------|
| | November 30, 2007 | 2006 | November 30, 2007 | 2006 |
| | (Unaudited) (\$ In thousands) | | | |
| Net Sales: | | | | |
| Electrical and Industrial Products | \$ 51,455 | \$ 35,799 | \$ 137,479 | \$ 103,825 |
| Galvanizing Services | \$ 35,138 | 29,562 | 106,098 | 76,871 |
| | \$ 86,593 | \$ 65,361 | \$ 243,577 | \$ 180,696 |
| Operating Income (a): | | | | |
| Electrical and Industrial Products | \$ 8,032 | \$ 5,128 | \$ 22,318 | \$ 14,355 |
| Galvanizing Services | 8,336 | 8,629 | 26,177 | 23,650 |
| | \$ 16,368 | \$ 13,757 | \$ 48,495 | \$ 38,005 |
| General Corporate Expense (b) | \$ 3,308 | \$ 5,014 | \$ 14,825 | \$ 13,544 |
| Interest Expense | 342 | 342 | 1,261 | 1,008 |
| Other (Income) Expense, Net (c) | 15 | 22 | 28 | 59 |
| | \$ 3,665 | \$ 5,378 | \$ 16,114 | \$ 14,611 |
| Income Before Income Taxes and Accounting Changes | \$ 12,703 | \$ 8,379 | \$ 32,381 | \$ 23,394 |
| Total Assets: | | | | |
| Electrical and Industrial Products | \$ 124,196 | \$ 102,855 | \$ 124,196 | \$ 102,855 |
| Galvanizing Services | 76,370 | 79,553 | 76,370 | 79,553 |
| Corporate | 6,634 | 6,276 | 6,634 | 6,276 |
| | \$ 207,200 | \$ 188,684 | \$ 207,200 | \$ 188,684 |

- (a) Segment operating income consists of net sales less cost of sales, specifically identifiable selling, general and administrative expenses, and other income and expense items that are specifically identifiable to a segment.

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(b) General Corporate Expense consists of selling, general and administrative expenses that are not specifically identifiable to a segment.

(c) Other (income) expense, net includes gains and losses on sale of property, plant and equipment and other (income) expenses not specifically identifiable to a segment.

6. Warranty Reserves.

A reserve has been established to provide for the estimated future cost of warranties on a portion of the Company's delivered products and is classified within accrued liabilities on the consolidated balance sheet. Management periodically reviews the reserves and makes adjustments accordingly. Warranties cover such factors as non-conformance to specifications and defects in material and workmanship. The following shows changes in the warranty reserves since the end of fiscal 2006:

| | Warranty |
|------------------------------|--------------------------|
| | Reserve |
| | (Unaudited) |
| | (\$ In thousands) |
| Balance at February 29, 2006 | \$ 1,102 |
| Warranty costs incurred | (888) |
| Additions charged to income | 1,364 |
| Balance at February 28, 2007 | \$ 1,578 |
| Warranty costs incurred | (729) |
| Additions charged to income | 882 |
| Balance at November 30, 2007 | \$ 1,731 |

7. Income Taxes.

In July 2006, the FASB issued FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies Statement 109, *Accounting for Income Taxes*, to indicate the criteria that an individual tax position would have to meet for some or all of the benefit of that position to be recognized in an entity's financial statements. We adopted FIN 48 as of March 1, 2007. The Company's adoption of FIN 48 did not have a material effect on the Company.

8. Recent Accounting Pronouncements.

In September 2006, the FASB issued Statement 157 (SFAS 157), *Fair Value Measurements*. This Statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. While SFAS 157 does not require any new value measurements, it may change the application of fair value measurements embodied in other accounting standards. SFAS 157 will be effective at the beginning of the Company's 2009 fiscal year. The Company is currently assessing the effect of this pronouncement, but we do not expect the impact on our consolidated financial statements to be material.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are generally identified by the use of words such as anticipate, expect, estimate, intend, should, may, believe, and terms with similar meanings. Although we believe that the current and expectations reflected in those forward-looking statements are reasonable, those views and expectations, and the related statements, are inherently subject to risks, uncertainties, and other factors, many of which are not under our control. Those risks, uncertainties, and other factors could cause the actual results to differ materially from those in the forward-looking statements. Those risks, uncertainties, and factors include, but are not limited to: the level of customer demand for and response to products and services offered by the Company, including demand by the power generation markets, electrical transmission and distribution markets, the general industrial market, and the hot dip galvanizing markets; raw material and utility costs, including cost of zinc and natural gas which are used in the hot dip galvanizing process; changes in economic conditions of the various markets we serve, foreign and domestic; customer requested delays of shipments; acquisition opportunities, adequacy of financing, our ability to integrate our new management information system and availability of experienced management employees to implement our growth strategy. We expressly disclaim any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any change in our views or expectations. We can give no assurances that such forward-looking statements will prove to be correct.

The following discussion should be read in conjunction with management's discussion and analysis contained in our 2007 Annual Report on Form 10-K, as well as with the consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

We have two operating segments as defined in our Annual Report on Form 10-K for the fiscal year-ended February 28, 2007. Management believes that the most meaningful analysis of our results of operations is to analyze our performance by segment. We use revenue by segment and segment operating income to evaluate our segments. Segment operating income consists of net sales less cost of sales, specifically identifiable selling, general and administrative expenses, and other (income) expense items that are specifically identifiable to a segment. The other (income) expense items included in segment operating income are generally insignificant. For a reconciliation of segment operating income to pretax income, see Note 5 to our quarterly consolidated financial statements included in this report.

Revenues

Our backlog was \$147.1 million as of November 30, 2007, as compared to \$149.2 million at August 31, 2007. Backlog improved 46% from the \$101 million reported as of November 30, 2006. All ending backlog relates to our Electrical and Industrial Products Segment. New orders were balanced across our power generation, transmission and distribution, and industrial markets. Incoming orders increased 25% for the quarter ended November 30, 2007, as compared to the same period last year. Orders included in the backlog are represented by contracts and purchase orders that management believes to be firm. The following table reflects our bookings and shipments on a quarterly basis through the period ended November 30, 2007, as compared to the same periods in fiscal 2007. The year-to-date book to ship ratio is 1.11 to 1 for the nine months ended November 30, 2007, as compared to 1.15 to 1 for the same period last year.

Table of Contents*Backlog Table**(In Thousands)*

| | Period Ending | | Period Ending | |
|--------------------|----------------------|------------|----------------------|------------|
| Backlog | 2/28/07 | \$ 120,666 | 2/28/06 | \$ 73,765 |
| Bookings | | 99,483 | | 70,782 |
| Shipments | | 75,377 | | 52,543 |
| Backlog | 5/31/07 | \$ 144,772 | 5/31/06 | \$ 92,094 |
| Book to Ship Ratio | | 1.32 | | 1.35 |
| Bookings | | 86,030 | | 69,450 |
| Shipments | | 81,606 | | 62,882 |
| Backlog | 8/31/07 | \$ 149,196 | 8/31/06 | \$ 98,662 |
| Book to Ship Ratio | | 1.05 | | 1.10 |
| Bookings | | 84,537 | | 67,707 |
| Shipments | | 86,594 | | 65,361 |
| Backlog | 11/30/07 | \$ 147,139 | 11/30/06 | \$ 101,008 |
| Book to Ship Ratio | | .98 | | 1.04 |

The following table reflects the breakdown of revenue by segment:

| | Three Months Ended | | Nine Months Ended | |
|------------------------------------|---------------------------|-------------------|--------------------------|-------------------|
| | 11/30/2007 | 11/30/2006 | 11/30/2007 | 11/30/2006 |
| Revenue: | | | | |
| Electrical and Industrial Products | \$ 51,455 | \$ 35,799 | \$ 137,479 | \$ 103,825 |
| Galvanizing Services | 35,138 | 29,562 | 106,098 | 76,871 |

Total Revenue \$ 86,593 \$ 65,361 \$ 243,577 \$ 180,696

For the three and nine-month periods ended November 30, 2007, consolidated net revenues increased 32% and 35%, respectively, as compared to the same periods in fiscal 2007, to \$86.6 million for the three-month period and \$243.6 million for the nine-month period. For the quarter ended November 30, 2007, the Electrical and Industrial Products Segment contributed 59% of the Company's revenues and the Galvanizing Services Segment accounted for the remaining 41% of the combined revenues. For the nine-month period ended November 30, 2007, the Electrical and Industrial Products Segment contributed 56% of the Company's revenues, while the Galvanizing Services Segment accounted for the remaining 44%.

Revenues for the Electrical and Industrial Products Segment increased \$15.7 million or 44% for the three-month period ended November 30, 2007, and increased \$33.7 million or 32% for the nine-month period ended November 30, 2007, as compared to the same periods in fiscal 2007. The increased revenues were generated as a result of a continuation of improved market demand and improved pricing, primarily from our high voltage transmission market, power generation market and utility distribution market as compared to the same period a year ago.

Revenues in the Galvanizing Services Segment increased \$5.6 million or 19% for the three-month period ended November 30, 2007, as compared to the same period in fiscal 2007 and increased \$29.2 million or 38% for the nine-month period ended November 30, 2007, as compared to the same period in fiscal 2007. Volume for the three and nine-month periods ended November 30, 2007, increased 12% and 21%, respectively, as compared to the same periods in fiscal 2007, while price increased 7% and 17% for the three and nine months, respectively, for the comparable periods. The increase in selling price was the result of price increases that were implemented to offset rising cost, primarily zinc. The increased volume resulted from the acquisition of Witt Galvanizing Inc. in November of 2006, and increased project work, primarily from the petrochemical market. The acquisition of Witt Galvanizing Inc. accounted for 82% of the volume increase for the nine-month period ended November 30, 2007.

Table of Contents*Segment Operating Income*

The following table reflects the breakdown of total operating income by segment:

| | Three Months Ended | | Nine Months Ended | |
|------------------------------------|-----------------------|------------|-------------------|------------|
| | 11/30/2007 | 11/30/2006 | 11/30/2007 | 11/30/2006 |
| | <i>(In thousands)</i> | | | |
| Segment Operating Income: | | | | |
| Electrical and Industrial Products | \$ 8,032 | \$ 5,128 | \$ 22,318 | \$ 14,355 |
| Galvanizing Services | 8,336 | 8,629 | 26,177 | 23,650 |
| Total Segment Operating Income | \$ 16,368 | \$ 13,757 | \$ 48,495 | \$ 38,005 |

Our total segment operating income increased 19% and 28% for the three and nine-month periods ended November 30, 2007, to \$16.4 million and \$48.5 million as compared to \$13.8 million and \$38 million for the same periods in fiscal 2007.

Segment operating income in the Electrical and Industrial Products Segment increased 57% and 55% for the three and nine-month periods ended November 30, 2007, to \$8 million and \$22.3 million as compared to \$5.1 million and \$14.4 million for the same periods in fiscal 2007.

Operating margins were 16% for the three and nine-month periods ended November 30, 2007, as compared to 14% for the comparable periods in fiscal 2007. Operating margins and profit improvement are attributable to the leverage gained from increased volumes and pricing actions as a result of favorable market conditions.

In the Galvanizing Services Segment, operating income decreased 3% for the three-month period ended November 30, 2007 and increased 11% for the nine-month period ended November 30, 2007, to \$8.3 million and \$26.2 million, respectively, as compared to \$8.6 million and \$23.7 million, respectively, for the same periods in fiscal 2007. Operating margins were 24% and 25% for the three and nine month periods ended November 30, 2007, as compared to 29% and 31% for the same periods in fiscal 2007. Operating margins were lower for the compared periods due to higher zinc costs. Although operating margins were lower than the prior year, they were still above our historic margins of 18% to 22% due to strong market demand. During the quarter ended November 30, 2007, zinc prices began to decline and, as a result, pricing pressure could begin to occur in our fourth quarter, which ultimately could cause margins to decline.

General Corporate Expenses

General corporate expenses, (see Note 5 to consolidated condensed financial statements) not specifically identifiable to a segment, for the three-month period ended November 30, 2007, were \$3.3 million compared to \$5 million for the same period in fiscal 2007. For the nine-month period ended November 30, 2007, general corporate expenses were \$14.8 million as compared to \$13.5 million for the same period in fiscal 2007. As a percentage of sales, general corporate expenses were 3.8% and 6.1%, respectively, for the three and nine-month periods ended November 30, 2007, as compared to 7.7% and 7.5%, respectively, for the same period in fiscal 2007. Corporate expenses were higher for the nine-month period ended November 30, 2007, due to increased compensation expense related to our cash based Stock Appreciation Rights due to stock appreciation during the first quarter of fiscal 2008. Compensation expense related to these cash based Stock Appreciation Rights was recognized in the amount of \$4.1 million during the nine-month period ended November 30, 2007, with the majority of expense being recorded in the first quarter of the current fiscal year. Corporate expense was lower for the three-month period ended November 30, 2007, as compared to same period in fiscal 2007, due to lower Stock Appreciation Rights expense for the compared periods.

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Other (Income) Expense

For the three-month and nine-month periods ended November 30, 2007, the amounts in other (income) expense not specifically identifiable to a segment (see Note 5 to consolidated financial statements) were insignificant.

Interest

Net interest expense was unchanged at \$342,000 for the three-month period ended November 30, 2007, as compared to same period last year. For the nine-month period ended November 30, 2007, net interest expense increased by 25% as compared to the same periods in fiscal 2007 due to higher levels of debt during the first six months of the current fiscal year primarily associated with the acquisition of Witt Industries last year. As of November 30, 2007, we had outstanding bank debt of \$17 million, a decrease of \$18.2 million, as compared to \$35.2 million at the end of fiscal 2007. The long-term debt to equity ratio was .12 to 1 at November 30, 2007, as compared to .32 to 1 at the end of fiscal 2007.

Income Taxes

The provision for income taxes reflects an effective tax rate of 37% for the nine-month periods ended November 30, 2007, and November 30, 2006.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have met our liquidity and capital needs through a combination of cash flows from operating activities and bank borrowings. Our cash requirements are generally for operating activities, capital improvements, debt repayment and acquisitions. Management believes that working capital, borrowing capabilities and funds generated from operations should be sufficient to finance anticipated operational activities, capital improvements, scheduled debt payments and possible future acquisitions for the remainder of fiscal 2008.

Net cash provided by operations was \$20.1 million for the nine-month period ended November 30, 2007, as compared to \$7.5 million for the same period in the prior fiscal year. Net cash provided by operations for the nine-month period ended November 30, 2007, included \$20.4 million in net income, \$6.1 million in depreciation and amortization, \$.7 million in non-cash compensation expense and negative \$.4 million in deferred income tax benefit and gains on the sale of equipment. In addition, positive cash flow was recognized due to decreased prepaid balances in the amount of \$1.1 million, as well as from increased other accrued liabilities in the amount of \$1.5 million. These positive cash flow items were offset by increases in inventories, accounts receivable balances, revenues in excess of billings and other assets in the amount of \$.4 million, \$.2 million, \$2.3 million and \$.1 million, respectively and decreased accounts payable balance in the amount of \$6.3 million. Working capital increased by \$7 million or 11% to \$69.3 million at November 30, 2007, as compared to \$62.3 million at February 28, 2007.

For the nine-month period ended November 30, 2007, capital improvements were made in the amount of \$8.1 million and long-term debt was paid in the amount of \$18.2 million. We received proceeds from the sale of property and equipment in the amount of \$.2 million and proceeds from the exercise of stock options and related tax benefits in the amount of \$3.4 million and \$3.1 million, respectively.

On May 25, 2007, we entered into the Second Amended and Restated Credit Agreement (the *Credit Agreement*), which replaced our Amended and Restated Revolving and Term Credit Agreement dated as of November 2001.

The *Credit Agreement* provides for a \$60 million revolving line of credit with one lender, Bank of America, N.A., maturing on May 25, 2011. This is an unsecured revolving credit facility, which refinanced outstanding borrowings and is used to provide for working capital needs, capital improvements, future

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acquisitions, and letter of credit needs. At November 30, 2007, we had \$17 million borrowed against the revolving credit facility and letters of credit outstanding in the amount of \$10.5 million, resulting in approximately \$32.5 million of additional credit available under the revolving credit facility.

The Credit Agreement provides for various financial covenants consisting of a) Minimum Consolidated Net Worth maintain on a consolidated basis net worth equal to at least the sum of \$69.8 million, representing 80% of net worth at February 28, 2007, plus 75% of future net income, b) Maximum Leverage Ratio- maintain on a consolidated basis a Leverage Ratio (as defined in the Credit Agreement) not to exceed 3.0:1.0, c) Fixed Charge Coverage Ratio- maintain on a consolidated basis a Fixed Charge Coverage Ratio of at least 1.5:1.0 and d) Capital Expenditures- not to make Capital Expenditures on a consolidated basis in an amount in excess of \$14 million during any fiscal year.

The Credit Agreement provides for an applicable margin ranging from .75% to 1.25% in addition to the Eurodollar Rate and Commitment Fees ranging from .175% to .25% depending on our Leverage Ratio. The applicable margin was .75% at November 30, 2007. The variable interest rate including the applicable margin was 5.78% as of November 30, 2007.

We utilize interest rate protection agreements to moderate the effects of increases, if any, in interest rates by modifying the characteristics of interest obligations on long-term debt from a variable rate to a fixed rate. Presently, we have one outstanding interest rate swap. On March 31, 2006, we entered into an interest rate protection agreement (the 2006 Swap Agreement) which matures in March 2008, whereby we pay a fixed rate of 5.20% in exchange for a variable 30-day LIBOR rate plus .75% (5.50% at November 30, 2007). At November 30, 2007, the remaining notional amount is \$2,750,000. Prior to May 2006, this swap was treated as a cash flow hedge of our variable interest rate exposure. However, we refinanced our Credit Agreement in May 2006, and chose to cease the hedge designation for the 2006 Swap Agreement while not terminating the swap agreement. Since that time, we began recognizing changes in the fair value of this swap directly into earnings, while amortizing the pretax amount included in accumulated other comprehensive income as additional interest income. At November 30, 2007, the fair value of the 2006 Swap Agreement was an asset of \$1,800 and a gain of \$7,200, net of tax, remains in accumulated other comprehensive income to be amortized as additional interest income. Given the maturity date of this interest rate swap, all amounts in accumulated other comprehensive income are expected to flow through earnings by March 31, 2008.

OFF BALANCE SHEET TRANSACTIONS AND RELATED MATTERS

Other than operating leases discussed below, there are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons that have, or may have, a material effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company.

CONTRACTUAL COMMITMENTS

Leases

We lease various facilities under non-cancelable operating leases with an initial term in excess of one year. The future minimum payments required under these operating leases are summarized in the table below.

Commodity pricing

We manage our exposure to commodity prices through various methods.

In the Electrical and Industrial Products Segment, we have exposure to commodity pricing for copper, aluminum and steel. Because the Electrical and Industrial Products Segment does not commit contractually to minimum volumes, increases in price for these items are normally managed through escalation clauses in customer contracts, although during difficult market conditions these escalation clauses may not be obtainable.

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In the Galvanizing Services Segment, we utilize contracts with our zinc suppliers that include protective caps to guard against rising zinc prices. These contracts are normally negotiated each year for a twelve-month term. We also secure firm pricing for natural gas supplies with individual utilities when possible. There are no contracted volume purchase commitments associated with the natural gas or zinc agreements. Management believes these agreements ensure adequate supplies and partially offset exposure to commodity price swings.

We have no contracted volume commitments for any other commodities.

Other

At November 30, 2007, we had outstanding letters of credit in the amount of \$10.5 million. These letters of credit are issued to a portion of our customers to cover any potential warranty costs that the customer might incur. In addition, as of November 30, 2007, a warranty reserve in the amount of \$1.7 million has been established to offset any future warranty claims.

The following summarizes our operating leases and long-term debt and interest expense for the next five fiscal years.

| Fiscal Year | Operating Leases | Interest on Long | | Total |
|--------------|---------------------|---|-----------------|------------------|
| | | Long- Term Debt <i>(In thousands)</i> | Term Debt | |
| 2008 | \$ 375 | \$ 0 | \$ 245 | \$ 620 |
| 2009 | 1,589 | 0 | 996 | 2,585 |
| 2010 | 1,983 | 0 | 996 | 2,979 |
| 2011 | 2,043 | 0 | 996 | 3,039 |
| 2012 | 1,969 | 17,000 | 235 | 19,204 |
| Thereafter | 10,994 | 0 | 0 | 10,994 |
| Total | \$ 18,953 | \$ 17,000 | \$ 3,468 | \$ 39,421 |

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements requires us to make estimates that affect the reported value of assets, liabilities, revenues, costs and expenses. Management's estimates are based on historical experience and various other factors that management believes reasonable under the circumstances, and form the basis for management's conclusions. Management continually evaluates the information used to make these estimates as business and economic conditions change. Accounting policies and estimates considered most critical are allowances for doubtful accounts, accruals for contingent liabilities, revenue recognition and impairment of long-lived assets, identifiable intangible assets and goodwill, accounting for income taxes, and stock options and stock appreciation rights. Actual results may differ from these estimates under different assumptions or conditions. The development and selection of the critical accounting policies and the related disclosures below have been reviewed with the Audit Committee of the Board of Directors. More information regarding significant accounting policies can be found in Note 1 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended February 28, 2007.

Allowance for Doubtful Accounts- The carrying value of our accounts receivable is continually evaluated based on the likelihood of collection. An allowance is maintained for estimated losses resulting from our customer's inability to make required payments. The allowance is determined by historical experience of

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uncollected accounts, the level of past due accounts, overall level of outstanding accounts receivable, information about specific customers with respect to their inability to make payments and future expectations of conditions that might impact the collectibility of accounts receivable. If the financial condition of our customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required.

Accruals for Contingent Liabilities - The amount we record for estimated claims, such as self insurance programs, warranty and other contingent liabilities, requires us to make judgments regarding the amount of expenses that will ultimately be incurred. Management uses past history and experience, as well as other specific circumstances surrounding these claims in evaluating the amount of liability that should be recorded. Actual results may be different than management estimates.

Revenue Recognition Revenue is recognized for the Electrical and Industrial Products Segment upon transfer of title and risk to customers, or based upon the percentage of completion method of accounting for electrical products built to customer specifications under long term contracts. We recognize revenue for the Galvanizing Services Segment upon completion of the galvanizing process performed on the customers material or shipment of this material. Revenue for the Galvanizing Service Segment is typically recognized at completion of the service unless we specifically agree with the customer to hold its material for a predetermined period of time after the completion of the galvanizing process and, in that circumstance, we invoice and recognize revenue upon shipment. Customer advanced payments presented in the balance sheet arise from advanced payments received from our customers prior to shipment of the product and are not related to revenue recognized under the percentage of completion method. The extent of progress for revenue recognized using the percentage of completion method is measured by the ratio of contract costs incurred to date to total estimated contract costs at completion. Contract costs include direct labor and material, and certain indirect costs. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses, if any, on uncompleted contracts are made in the period in which such losses are able to be determined. The assumptions made in determining the estimated cost could differ from actual performance resulting in a different outcome for profits or losses than anticipated.

Impairment of Long-Lived Assets, Identifiable Intangible Assets and Goodwill We record impairment losses on long-lived assets, including identifiable intangible assets, when events and circumstances indicate that the assets might be impaired and the undiscounted projected cash flows associated with those assets are less than the carrying amounts of those assets. In those situations, impairment losses on long-lived assets are measured based on the excess of the carrying amount over the asset's fair value. A significant change in events, circumstances or projected cash flows could result in an impairment of long-lived assets, including identifiable intangible assets. An annual impairment test of goodwill is performed in the fourth quarter of each fiscal year. The test is calculated using the anticipated future cash flows after tax from our operating segments. Based on the present value of the future cash flow, we will determine whether impairment may exist. A significant change in projected cash flows or cost of capital for future years could result in an impairment of goodwill in future years. Variables impacting future cash flows include, but are not limited to, the level of customer demand for and response to products and services we offer to the power generation market, the electrical transmission and distribution markets, the general industrial market and the hot dip galvanizing market; changes in economic conditions of these various markets; raw material and natural gas costs; and availability of experienced labor and management to implement our growth strategies.

Accounting for Income Taxes - We account for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Developing our provision for income taxes requires significant judgment and expertise in deferral and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets. Our judgments and tax strategies are subject to audit by various taxing authorities.

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Stock Options and Stock Appreciation Rights - Our employees are periodically granted stock options or Stock Appreciation Rights by the Compensation Committee of the Board of Directors. In fiscal 2007, we adopted the provisions of SFAS No. 123R, Share-Based Payment. Under the provisions of SFAS No. 123R, the compensation cost of all employee stock-based compensation awards is measured based on the grant-date fair value of those awards and that cost is recorded as compensation expense over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). The valuation of stock based compensation awards is complex in that there are a number of variables included in the calculation of the value of the award:

- Volatility of our stock price
- Expected term of the option
- Expected dividend yield
- Risk-free interest rate over the expected term
- Expected number of options that will not vest.

We have elected to use a Black-Scholes pricing model in the valuation of our stock options and stock appreciation rights.

These variables are developed using a combination of our internal data with respect to stock price volatility, exercise behavior of option holders and information from outside sources. The development of each of these variables requires a significant amount of judgment. Changes in the values of the above variables will result in different option valuations and, therefore, different amounts of compensation cost.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk relating to our operations results primarily from changes in interest rates and commodity prices. We have only limited involvement with derivative financial instruments, and we are not a party to any leveraged derivatives.

We manage our exposure to changes in interest rates through the use of variable rate debt and interest rate protection agreements, including the 2006 Swap Agreement.

We manage our exposure to commodity prices through various methods. In the Galvanizing Services Segment, we utilize agreements with zinc suppliers that include protective caps to guard against rising commodity prices.

In the Electrical and Industrial Product Segment, we have exposure to commodity pricing for copper, aluminum, and steel. Because the Electrical and Industrial Products Segment does not commit contractually to minimum volumes, increases in the price for these items are normally managed through escalation clauses to the customer's contracts, although during difficult market conditions these escalation clauses may not be obtainable.

Management does not believe there has been a material change in the nature of our commodity or interest rate commitments or risks since February 28, 2007.

We do not believe that a hypothetical change of 10% of the interest rate currently in effect or a change of 10% of commodity prices would have a significantly adverse effect on our results of operations, financial position, or cash flows, provided that we were able to pass along the increases in commodity prices to our customers. However, there can be no assurance that either interest rates or commodity prices will not change in excess of the 10% hypothetical amount, which could have an adverse effect on our results of operations, financial position, and cash flows if we were unable to pass along those increases to our customers.

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Item 4. Controls and Procedures.

We performed an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of that date to ensure that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is (a) accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely discussions regarding required disclosure and (b) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There have been no significant changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

While we believe that existing disclosure controls and procedures have been effective to accomplish their objectives, we intend to continue to examine, refine and document our disclosure controls and procedures and to monitor ongoing developments in this area. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company has been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved from time to time in various suits and claims arising in the normal course of business. In management's opinion, the ultimate resolution of these matters will not have a material effect on our financial position or results of operations.

Item 1A. Risk Factors.

There have been no material changes in the risk factors disclosed under Part I, Item 1A of our Annual Report on Form 10-K for the year ended February 28, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. None.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submissions of Matters to a Vote of Security Holders. None.

Item 5. Other Information. Not Applicable

Item 6. Exhibits.

Exhibits Required by Item 601 of Regulation S-K.

A list of the exhibits required by Item 601 of Regulation S-K and filed as part of this report is set forth in the Index to Exhibits on page 21, which immediately precedes such exhibits.

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SIGNATURES

Pursuant to the requirements 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.

AZZ incorporated
(Registrant)

Date: January 8, 2008

/s/ Dana Perry
Dana Perry, Senior Vice President for Finance
Principal Financial Officer

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EXHIBIT

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| EXHIBIT NUMBER | DESCRIPTION OF EXHIBIT |
|---------------------------|---|
| 3.1 | Articles of Incorporation, and all amendments thereto (incorporated by reference to the Annual Report on Form 10-K filed by Registrant for the fiscal year ended February 28, 1981). |
| 3.2 | Articles of Amendment to the Article of Incorporation of the Registrant dated June 30, 1988 (incorporated by reference to the Annual Report on Form 10-K filed by Registrant for the fiscal year ended February 29, 2000). |
| 3.3 | Articles of Amendment to the Articles of Incorporation of the Registrant dated October 25, 1999 (incorporated by reference to the Annual Report on Form 10-K filed by Registrant for the fiscal year ended February 29, 2000). |
| 3.4 | Articles of Amendment to the Articles of Incorporation dated July 17, 2000 (incorporated by reference to the Quarterly Report Form 10-Q filed by Registrant for the quarter ended November 30, 2000). |
| 3.5 | Bylaws of AZZ incorporated as restated through November 19, 2007 (incorporated by reference to the Exhibit 3(1) to the Form 8-K filed by the Registrant on November 26, 2007). |
| 4 | Form of Stock Certificate for the Company's \$1.00 par value Common Stock (incorporated by reference to the Quarterly Report Form 10-Q filed by Registrant for the quarter ended November 30, 2003). |
| 10.1 | Asset Purchase Agreement dated October 31, 2006, by and among AZZ incorporated, Arbor-Crowley, Inc., Witt Industries, Inc. and Marcy R. Wydman (incorporated by reference to Exhibit 10.1 to Form 8-K filed by the registrant on November 2, 2007). |
| 10.2 | Environmental Remediation and Assumption of Liability Agreement date October 31, 2006, by and among AZZ incorporated, Arbor-Crowley, Inc., Witt Industries, Inc. and Marcy R. Wydman (incorporated by reference to Exhibit 10.2 to Form 8-K filed by the registrant on November 2, 2007). |
| 31.1 | Chief Executive Officer Certificate pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated January 4, 2008. Filed herewith. |
| 31.2 | Chief Financial Officer Certificate pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated January 4, 2008. Filed herewith. |
| 32.1 | Chief Executive Officer Certificate pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated January 4, 2008. Filed herewith. |
| 32.2 | Chief Financial Officer Certificate pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated January 4, 2008. Filed herewith. |