

NORTH AMERICAN GALVANIZING & COATINGS INC  
Form 10-Q/A  
August 27, 2009

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No. 1

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended June 30, 2009

Commission File No. 1-3920

NORTH AMERICAN GALVANIZING & COATINGS, INC.  
(Exact name of the registrant as specified in its charter)

Delaware  
(State of Incorporation)

71-0268502  
(I.R.S. Employer Identification No.)

5314 S. Yale Avenue, Suite 1000, Tulsa, Oklahoma 74135  
(Address of principal executive offices)

(918) 494-0964  
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 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, as defined in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

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 June 30, 2009:

Common Stock \$ .10 Par Value . . . . . 16,369,924

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EXPLANATORY NOTE

North American Galvanizing & Coatings, Inc. (the “Company”) is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2009 to amend inadvertent errors made in the Form 10-Q that was originally filed with the Securities and Exchange Commission on July 20, 2009. This Amendment No.1 amends the named executive officer’s certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. This Amendment No. 1 revises the following specific items:

1. Item 4, Controls and Procedures; changes made to match wording in Regulation SK, item 307.
2. Exhibit 31.1: amended subparagraph 4(b) to match wording in Regulation SK, item 601(b)31.
3. Exhibit 31.2: amended subparagraph 4(b) to match wording in Regulation SK, item 601(b)31.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Amendment No. 1 pursuant to Rule 13a-14(a)/15d-14(a) and Rules 13a-14(b)/15d-14(b) under the Exchange Act. Except as described above, no substantive change has been made to the Form 10-Q as originally filed, nor has any attempt been made to modify or update disclosures to the Form 10-Q as originally filed. The filing of this Amendment No. 1 shall not be deemed to be an admission that the Form 10-Q as originally filed included any untrue statement of material fact or omitted to state a material fact necessary to make a statement not misleading.

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NORTH AMERICAN GALVANIZING & COATINGS, INC.

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Forward Looking Statements or Information

Certain statements in this Form 10-Q, including information set forth under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, constitute “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. Such statements are typically punctuated by words or phrases such as “anticipates,” “estimate,” “should,” “may,” “management believes,” and words or phrases of similar import. The Company cautions investors that such forward-looking statements included in this Form 10-Q, or hereafter included in other publicly available documents filed with the Securities and Exchange Commission, reports to the Company’s stockholders and other publicly available statements issued or released by the Company involve significant risks, uncertainties, and other factors which could cause the Company’s actual results, performance (financial or operating) or achievements to differ materially from the future results, performance (financial or operating) or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences could include, but are not limited to, changes in demand, prices, the raw materials cost of zinc and the cost of natural gas; changes in economic conditions of the various markets the Company serves, as well as the other risks detailed herein and in the Company’s Form 10-K filed on February 20, 2009 with the Securities and Exchange Commission.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
North American Galvanizing & Coatings, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of North American Galvanizing & Coatings, Inc. and subsidiary (the "Company") as of June 30, 2009, and the related condensed consolidated statements of income for the three- and six-month periods ended June 30, 2009 and 2008, cash flows for the six-month periods ended June 30, 2009 and 2008 and stockholders' equity for the six-month period ended June 30, 2009. These interim financial statements are the responsibility of the Company's management

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of North American Galvanizing & Coatings, Inc. and subsidiary as of December 31, 2008, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 20, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP

Tulsa, Oklahoma  
July 20, 2009

## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share amounts)

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 10,678	\$ 9,322
Trade receivables—less allowances of \$129 for 2009 and \$102 for 2008	9,440	10,880
Raw materials inventories	7,196	5,839
Prepaid expenses and other assets	844	478
Deferred tax asset—net	1,457	1,048
Total current assets	29,615	27,567
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	2,167	2,167
Galvanizing plants and equipment	44,434	40,135
	46,601	42,302
Less—accumulated depreciation	(24,048 )	(22,481 )
Construction in progress	4,140	2,379
Total property, plant and equipment—net	26,693	22,200
<b>GOODWILL—Net</b>	3,448	3,448
<b>OTHER ASSETS</b>	197	1,557
<b>TOTAL ASSETS</b>	<b>\$ 59,953</b>	<b>\$ 54,772</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade accounts payable	\$ 3,372	\$ 4,088
Accrued payroll and employee benefits	1,638	1,853
Accrued taxes	539	607
Customer deposits	—	538
Other accrued liabilities	2,461	2,792
Total current liabilities	8,010	9,878
<b>DEFERRED TAX LIABILITY—Net</b>	1,216	504
Total liabilities	9,226	10,382
<b>COMMITMENTS AND CONTINGENCIES (NOTE 5)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock—\$.10 par value, 25,000,000 and 18,000,000 shares authorized in 2009 and 2008:		
Issued—16,507,813 shares in both 2009 and 2008	1,651	1,651
Additional paid-in capital	11,710	12,281
Retained earnings	37,861	32,180

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Common shares in treasury at cost— 138,889 in 2009 and 488,212 in 2008	(495	)	(1,722	)
Total stockholders' equity	50,727		44,390	
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$59,953</b>		<b>\$54,772</b>	

See notes to condensed consolidated financial statements.

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NORTH AMERICAN GALVANIZING & COATINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share amounts)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2009	2008	2009	2008
SALES	\$18,143	\$21,978	\$38,752	\$42,680
COST AND EXPENSES:				
Cost of sales excluding depreciation and amortization	11,284	12,957	23,367	25,777
Selling, general and administrative expenses	2,476	2,707	5,169	4,849
Depreciation and amortization	884	852	1,771	1,709
Total costs and expenses	14,644	16,516	30,307	32,335
OPERATING INCOME	3,499	5,462	8,445	10,345
Interest income and other	6	136	19	147
INCOME BEFORE INCOME TAXES	3,505	5,598	8,464	10,492
INCOME TAX EXPENSE	1,285	2,175	2,783	3,994
NET INCOME	\$2,220	\$3,423	\$5,681	\$6,498
NET INCOME PER COMMON SHARE:				
Basic	\$0.14	\$0.21	\$0.35	\$0.40
Diluted	\$0.13	\$0.20	\$0.35	\$0.38

See notes to condensed consolidated financial statements.

NORTH AMERICAN GALVANIZING & COATINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
 SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
 (In thousands)

	2009		2008
<b>OPERATING ACTIVITIES:</b>			
Net income	\$5,681		\$6,498
Increase in trading securities (including unrealized appreciation of \$127)	—		(399 )
Loss on disposal of assets	76		54
Depreciation and amortization	1,771		1,709
Deferred income taxes	303		(146 )
Non-cash share-based compensation	542		270
Non-cash directors' fees	214		199
Changes in operating assets and liabilities:			
Accounts receivable—net	1,440		(1,855 )
Inventories and other assets	(363	)	989
Accounts payable, accrued liabilities and other	(2,218	)	(1,713 )
Cash provided by operating activities	7,446		5,606
<b>INVESTING ACTIVITIES:</b>			
Capital expenditures	(5,997	)	(630 )
Proceeds from sale of assets	7		—
Cash used in investing activities	(5,990	)	(630 )
<b>FINANCING ACTIVITIES:</b>			
Purchase of common stock for the treasury	(166	)	(1,649 )
Proceeds from exercise of stock options	66		136
Payments on long-term obligations	—		(15 )
Tax benefits realized from stock options exercised	—		7
Cash used in financing activities	(100	)	(1,521 )
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,356</b>		<b>3,455</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of period	9,322		2,966
End of period	\$10,678		\$6,421
<b>CASH PAID DURING THE PERIOD FOR:</b>			
Income taxes	\$2,524		\$3,279
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Acquisitions of fixed assets included in payables at period end	\$350		\$171

See notes to condensed consolidated financial statements.



NORTH AMERICAN GALVANIZING & COATINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)  
 SIX MONTHS ENDED JUNE 30, 2009  
 (In thousands, except share amounts)

	Common Stock \$.10 Par Value		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Total
	Shares	Amount			Shares	Amount	
BALANCE—January 1, 2009	16,507,813	\$ 1,651	\$ 12,281	\$ 32,180	488,212	\$ (1,722 )	\$ 44,390
Net income	—	—	—	5,681	—	—	5,681
Purchase of common stock for the treasury	—	—	—	—	42,166	(166 )	(166 )
Issuance of treasury shares for nonvested stock awards	—	—	(827 )	—	(232,166)	827	—
Incentive Stock Plan Compensation	—	—	542	—	—	—	542
Stock units for Director Stock Unit Program	—	—	214	—	—	—	214
Issuance of treasury shares for stock option transactions	—	—	(267 )	—	(93,439 )	333	66
Issuance of treasury shares for Director Stock Unit Program transactions	—	—	(233 )	—	(65,884 )	233	—
BALANCE—June 30, 2009	16,507,813	\$ 1,651	\$ 11,710	\$ 37,861	138,889	\$ (495 )	\$ 50,727

See notes to condensed consolidated financial statements.

NORTH AMERICAN GALVANIZING & COATINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE- AND SIX-MONTHS ENDED JUNE 30, 2009 and 2008

UNAUDITED

Note 1. Basis of Presentation

The condensed consolidated financial statements included in this report have been prepared by North American Galvanizing & Coatings, Inc. (the "Company") pursuant to its understanding of the rules and regulations of the Securities and Exchange Commission for interim reporting and include all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation. The condensed consolidated financial statements include the accounts of the Company and its subsidiary.

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 such rules and regulations for interim reporting. The Company believes that the disclosures are adequate to make the information presented not misleading. However, these interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The financial data for the interim periods presented may not necessarily reflect the results to be anticipated for the complete year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses for each of the periods. Actual results will be determined based on the outcome of future events and could differ from the estimates. The Company's sole business is hot dip galvanizing and coatings which is conducted through its wholly owned subsidiary, North American Galvanizing Company ("NAGC").

Note 2. Share-based Compensation

At June 30, 2009 the Company has two share-based compensation plans, which are shareholder-approved, the 2004 Incentive Stock Plan and the Director Stock Unit Program. The Company's 2004 Incentive Stock Plan (the Plan) permits the grant of share options and shares to its employees and directors for up to 2,500,000 shares of common stock. Director Stock Unit Program shares are issued under the plan. The Company believes that such awards better align the interests of its employees and directors with those of its shareholders.

The compensation cost for the Plan, exclusive of the Director Stock Unit Program, was \$279,000 and \$162,000 for the three-months ended June 30, 2009 and 2008, respectively, and \$542,000 and \$270,000 for the six-months ended June 30, 2009 and 2008, respectively.

Non-vested Shares. During January 2009, the Compensation Committee recommended and the Board of Directors approved a grant totaling 153,168 non-vested shares for management employees and 79,998 non-vested shares for directors. The weighted-average grant price of restricted stock granted in 2009 was \$3.67. During February and March 2008, the Compensation Committee recommended and the Board of Directors approved a grant totaling 126,667 non-vested shares for management employees and 66,667 non-vested shares for directors. During July 2008, the Compensation Committee recommended and the Board of Directors approved a grant totaling 80,000 non-vested shares for non-management directors. The weighted-average grant price of non-vested shares in 2008 was \$4.70. Non-vested shares granted to management employees, including management directors,



vest and become nonforfeitable on the date that is four years after the date of grant; or if the participant is a non-employee director of the Company at the time of the grant, the date that is two years after the date of the grant. The Company is recognizing this compensation expense over the two year or four year vesting period, as applicable, on a ratable basis. Non-vested shares are valued at market value on the grant date. The Company recognized \$199,000 and \$69,000 in amortization expense related to non-vested shares in the three-months ended June 30, 2009 and 2008, respectively, and \$375,000 and \$87,000 for the six-months ended June 30, 2009 and 2008, respectively.

**Stock Options.** Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards usually vest based on 4 years of continuous service and have 10-year contractual terms. No stock options were issued in the first six months of 2009 or 2008. The Company recognized \$80,000 and \$90,000 in the three-months ended June 30, 2009 and 2008, respectively, and \$167,000 and \$180,000 for the six-months ended June 30, 2009 and 2008, respectively for amortization expense related to stock options.

**Director Stock Unit Program.** At the Company's Annual Meeting held July 21, 2004, stockholders approved a Director Stock Unit Program (the "Program"). Under the Program, effective January 1, 2005, each non-management director is required to defer at least 50% (\$17,500) of his or her annual fee, and may elect to defer 75% (\$26,250) or 100% (\$35,000) of the annual fee. The director must make the annual deferral decision before the start of the year. Amounts deferred under the Program are converted into a deferred Stock Unit grant under the Company's 2004 Incentive Stock Plan at the average of the closing prices for a share of the Company's Common Stock for the ten trading days before the quarterly director fee payment dates.

To encourage deferral of fees by non-management directors, the Company makes a matching Stock Unit grant ranging from 25% to 75% of the amount deferred by the director as of the same quarterly payment dates.

Under the Program, the Company automatically defers from the management director's salary a dollar amount equal to 50% (\$17,500) of the director fees for outside directors. The management director may elect to defer an amount equal to 75% (\$26,250) or 100% (\$35,000) of the director fees for non-management directors from his or her compensation, and the Company matches deferrals by the management director with Stock Units at the same rate as it matches deferrals for non-management directors.

Deliveries of the granted stock are made five calendar years following the year for which the deferral is made subject to acceleration upon the resignation or retirement of the director or a change in control.

All of the Company's non-management directors elected to defer 100% of the annual board fee for both 2009 and 2008, and the Company's chief executive officer elected to defer a corresponding amount of his salary in 2009 and 2008. During the first six months of 2009, fees, salary and Company matching deferred by the directors represented a total of 65,884 stock unit grants valued at \$3.25 per stock unit. During the first six months of 2008, fees, salary and Company matching deferred by the directors represented a total of 45,479 stock unit grants valued at \$4.38 per stock unit. Company matching contributions under this plan were \$92,000 and \$85,000 in the first six months of 2009 and 2008 respectively.

## Note 3.

## Earnings Per Common Share

Basic earnings per common share for the periods presented are computed based upon the weighted average number of shares outstanding. Diluted earnings per common share for the periods presented are based on the weighted average shares outstanding, adjusted for the assumed exercise of stock options and for non-vested shares using the treasury stock method. The shares and earnings per share for all periods have been adjusted to reflect the Company's four-for-three stock split effected in the form of a stock dividend on September 14, 2008.

Three Months Ended June 30	Number of Shares	
	2009	2008
Basic	15,847,924	16,311,147
Diluted	16,600,433	16,938,175

  

Six Months Ended June 30	Number of Shares	
	2009	2008
Basic	15,793,689	16,371,500
Diluted	16,387,260	17,018,513

There were no options priced higher than the share market value at June 30, 2009.

## Note 4.

## Credit Agreement

On July 17, 2009, the Company entered into a new credit agreement between the Company and its subsidiary North American Galvanizing Company as borrowers and Wells Fargo Bank, N.A. as administrative agent, swing line lender and letter of credit issuer. The existing credit agreement with Bank of America, N.A. was canceled.

The new credit agreement provides for a revolving credit facility in the aggregate principal amount of \$25 million with future increases of up to an aggregate principal amount of \$15 million. The purpose of the new facility is to refinance a former credit agreement, provide for issuance of standby letters of credit, provide funding for acquisitions, and for other general corporate purposes. As of July 20, 2009, the Company has not borrowed under the new credit agreement, which has a maturity date of July 17, 2012.

Substantially all of the Company's accounts receivable, inventories, fixed assets and the common stock of its subsidiary are pledged as collateral under the new agreement, and the credit agreement is secured by full and unconditional guaranties from North American Galvanizing Company's subsidiaries. The credit agreement provides for an applicable margin ranging from 1.50% to 2.50% over LIBOR and a commitment fee of .25%. The applicable margin was 1.50% at inception of the agreement on July 17, 2009.

The credit agreement requires the Company to maintain compliance with certain covenants. At June 30, 2009 the Company would have been in compliance with the covenants of the new credit agreement. The required covenants of the new agreement are as follows: Funded Debt to EBITDA ratio – maximum allowed of 3.25; Fixed Charge Coverage Ratio – maximum allowed of 1.1 and Asset Coverage Ratio – minimum required of 1.50.

At June 30, 2009, under the former credit agreement which was canceled on July 17, 2009, the Company had unused borrowing capacity of \$24.8 million, based on no borrowings outstanding under the revolving credit facility, and \$0.2 million of letters of credit to secure payment of current and future workers' compensation claims.





## Note 5.

## Commitments and Contingencies

The Company has commitments with domestic and foreign zinc producers and brokers to purchase zinc used in its hot dip galvanizing operations. Commitments for the future delivery of zinc reflect rates then quoted on the London Metals Exchange and are not subject to price adjustment or are based on such quoted prices at the time of delivery. At June 30, 2009 the aggregate commitments for the procurement of zinc at fixed prices were approximately \$0.2 million. The Company reviews these fixed price contracts for losses using the same methodology employed to estimate the market value of its zinc inventory. The Company had no unpriced commitments for zinc purchases at June 30, 2009.

The Company's financial strategy includes evaluating the selective use of derivative financial instruments to manage zinc and interest costs. As part of its inventory management strategy, the Company expects to continue evaluating hedging instruments to minimize the impact of zinc price fluctuations. The Company had no derivative instruments required to be reported at fair value at June 30, 2009 or December 31, 2008, and did not utilize derivatives in the six-month period ended June 30, 2009 or the year ended December 31, 2008, except for the forward purchase agreements described above, which are accounted for as normal purchases.

The Company's total off-balance sheet contractual obligations at June 30, 2009, consist of approximately \$1.5 million for long-term operating leases for vehicles, office space, office equipment, galvanizing facilities and galvanizing equipment and approximately \$0.2 million for zinc purchase commitments. The various leases for galvanizing facilities, including option renewals, expire from 2009 to 2017. At June 30, 2009 the Company has approximately \$1.0 million in outstanding purchase commitments for various machinery, equipment and building improvements and \$0.8 million in outstanding commitments for other operating obligations.

NAGC was notified in 1997 by the Illinois Environmental Protection Agency ("IEPA") that it was one of approximately 60 potentially responsible parties under the Comprehensive Environmental Response, Compensation, and Liability Information System ("CERCLIS") in connection with cleanup of an abandoned site formerly owned by Sandoval Zinc Co., an entity unrelated to NAGC. The IEPA notice includes NAGC as one of the organizations which arranged for the treatment and disposal of hazardous substances at Sandoval. The estimated timeframe for resolution of the IEPA contingency is unknown. The IEPA has yet to respond to a proposed work plan submitted in August 2000 by a group of the potentially responsible parties or suggest any other course of action, and there has been no activity in regards to this issue since 2001. Until the work plan is approved and completed, the range of potential loss or remediation, if any, is unknown, and in addition, the allocation of potential loss between the 60 potentially responsible parties is unknown and not reasonably estimable. Therefore, the Company has no basis for determining potential exposure and estimated remediation costs at this time and no liability has been accrued.

In September 2008, the United States Environmental Protection Agency (the "EPA") notified the Company of a claim against the Company as a potentially responsible party related to a Superfund site in Texas City, Texas. This matter pertains to galvanizing facilities of a Company subsidiary and its disposal of waste, which was handled by their supplier in the early 1980's. The EPA offered the Company a special de minimis party settlement to resolve potential liability that the Company and its subsidiaries may have under CERCLA at this Site. The Company accrued the \$112,145 de minimis settlement amount during the third quarter of 2008 and accepted the EPA's offer before the deadline of December 30, 2008.

The Company is committed to complying with all federal, state and local environmental laws and regulations and using its best management practices to anticipate and satisfy future requirements. As is typical in the galvanizing business, the Company will have additional environmental compliance costs associated with past, present and future operations. Management is committed to discovering and eliminating environmental issues as they arise. Because of frequent changes in environmental technology, laws and regulations management cannot reasonably quantify the Company's potential future costs in this area.



North American Galvanizing & Coatings, Inc. and its subsidiary are parties to a number of other lawsuits and environmental matters which are not discussed herein. Management of the Company, based upon their analysis of known facts and circumstances and reports from legal counsel, does not believe that any such matter will have a material adverse effect on the results of operations, financial condition or cash flows of the Company.

Note 6.

Stockholders' Equity

During the second quarter 2009, the holders of a majority of the outstanding shares of common stock of North American Galvanizing & Coatings, Inc. (the "Company") provided written consent approving an amendment to the Company's Restated Certificate of Incorporation, as amended, pursuant to the Company's consent solicitation authorized by the Company's Board of Directors. Through the written consent, the holders of a majority of the outstanding shares of the Company's common stock approved an increase in the number of authorized shares of the Company's common stock from 18,000,000 shares to 25,000,000 shares.

The Company filed a Certificate of Amendment of the Restated Certificate of Incorporation, as amended, with the Secretary of State of Delaware on April 2, 2009, which provides that the aggregate number of shares of the Company's common stock which the Company shall have authority to issue is 25,000,000 shares.

North American Galvanizing & Coatings, Inc.

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

GENERAL

North American Galvanizing is a leading provider of corrosion protection for iron and steel components fabricated by its customers. Hot dip galvanizing is the process of applying a zinc coating to fabricated iron or steel material by immersing the material in a bath consisting primarily of molten zinc. Based on the number of its operating plants, the Company is one of the largest merchant market hot dip galvanizing companies in the United States.

During the six-month period ended June 30, 2009, there were no significant changes to the Company's critical accounting policies previously disclosed in Form 10-K for the year ended December 31, 2008.

The Company's galvanizing plants offer a broad line of services including centrifuge galvanizing for small threaded products, sandblasting, chromate quenching, polymeric coatings, and proprietary INFRASHIELDSM Coating Application Systems for polyurethane protective linings and coatings over galvanized surfaces. The Company's mechanical and chemical engineers provide customized assistance with initial fabrication design, project estimates and steel chemistry selection.

The Company's galvanizing and coating operations are composed of eleven facilities located in Colorado, Kentucky, Missouri, Ohio, Oklahoma, Tennessee, Texas and West Virginia. The West Virginia facility began operating in the second quarter, 2009. These facilities operate galvanizing kettles ranging in length from 16 feet to 62 feet, and have lifting capacities ranging from 12,000 pounds to 40,000 pounds.

The Company maintains a sales and service network coupled with its galvanizing plants, supplemented by national account business development at the corporate level. In 2008, the Company galvanized steel products for approximately 1,800 customers nationwide.

All of the Company's sales are generated for customers whose end markets are principally in the United States. The Company markets its galvanizing and coating services directly to its customers and does not utilize agents or distributors. Although hot dip galvanizing is considered a mature service industry, the Company is actively engaged in developing new markets through participation in industry trade shows, metals trade associations and presentation of technical seminars by its national marketing service team.

Hot dip galvanizing provides metals corrosion protection for many product applications used in commercial, construction and industrial markets. The Company's galvanizing can be found in almost every major application and industry that requires corrosion protection where iron or steel is used, including the following end user markets:

- highway and transportation
- power transmission and distribution
- wireless and telecommunications