AZZ INC
Form 10-K/A
August 26, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended February 28, 2011

OR

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

For the transition period from _____ to _____

Commission file number: 1-12777

AZZ incorporated
(Exact name of registrant as specified in its charter)

TEXAS	75-0948250
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Museum Place, Suite 500 3100 West Seventh Street Fort Worth, Texas	76107
(Address of principal executive offices)	(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 par value per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes £ No T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes £ No T

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 T No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes £ No £

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes £ No T

As of August 31, 2010 (the last business day of its most recently completed second fiscal quarter), the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was $524,203,551 based on the closing sale price of $43.78 per share as reported on the New York Stock Exchange (For purposes of determining the above stated amount, only the directors, executive officers and 10% or greater shareholders of the registrant have been deemed affiliates; however, this does not represent a conclusion by the registrant that any or all such persons are affiliates of the registrant).

As of April 30, 2011, there were 12,543,674 shares of the registrant’s common stock ($1.00 par value) outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K of AZZ incorporated ("AZZ", the "Company" or "we") for the fiscal year ended February 28, 2011 is being filed solely to make technical corrections to the Report of Independent Registered Public Accounting Firm on pages 33 and 34 of the originally filed Form 10-K. This Form 10-K/A amends and restates Part II Item 8, Financial Statements and Supplementary Data, with respect to the original Form 10-K, in order to make such corrections.

Except as described above, no other changes have been made to the original Form 10-K, and this Form 10-K/A does not amend, update, or change the financial statements or any other items or disclosures in the original Form 10-K. This Form 10-K/A does not reflect events occurring after the filing of the original Form 10-K or modify or update those disclosures, including any exhibits to the original Form 10-K affected by subsequent events. Information not affected by the changes described above is unchanged and reflects the disclosures made at the time of the filing of the original Form 10-K on May 12, 2011. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-K, including any amendments to those filings.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements and Schedules

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Management’s Report on Internal Controls Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in “Internal Control- Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission, "COSO". Based on our evaluation under the framework in COSO, our management concluded that our internal control over financial reporting was effective as of February 28, 2011. The effectiveness of our internal control over financial reporting as of February 28, 2011, has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their attestation report included herein. Management did not assess the effectiveness of internal controls over financial reporting of NGA or its subsidiaries because of the timing of the acquisition, which was completed on August 3, 2010. NGA constituted approximately 24% of total assets as of February 28, 2011 and 13% and 24% of revenues and net income, respectively, for the year then ended.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
AZZ incorporated
Fort Worth, Texas

We have audited the accompanying consolidated balance sheets of AZZ incorporated as of February 28, 2011 and 2010 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended February 28, 2011. Our audits also included the financial statement schedule listed in Item 15 of this Form 10-K. We have also audited AZZ incorporated's internal control over financial reporting as of February 28, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). AZZ incorporated's management is responsible for these financial statements, financial statement schedule, maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements, financial statement schedule and to express an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and the schedule are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AZZ incorporated as of February 28, 2011 and 2010 and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, AZZ incorporated maintained, in all material respects, effective internal control over financial reporting as of February 28, 2011, based on the COSO criteria.

In addition, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of North American Galvanizing and Coatings, Inc. (NGA) whose acquisition was completed on August 3, 2010 and which are included in the consolidated balance sheet of AZZ incorporated as of February 28, 2011 and the related consolidated statements of income, shareholders equity, and cash flows for the year then ended. NGA constituted approximately 24% of total assets as of February 28, 2011 and 13% and 24% of revenues and net income, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of NGA because of the timing of the acquisition. Our audit of internal control over financial reporting of AZZ incorporated also did not include an evaluation of the internal control over financial reporting of NGA.

As discussed in Note 1 to the consolidated financial statements, the Company adopted ASC 805-10 (formerly Statement of Financial Accounting Standard No. 141(R), Business Combinations) effective March 1, 2009.

/s/ BDO USA, LLP

Dallas, Texas
May 12, 2011

AZZ incorporated
CONSOLIDATED STATEMENTS OF INCOME

	For the years ended		
	February 28, 2011	February 28, 2010	February 28, 2009
Net sales	$ 380,649,407	$ 357,030,075	$ 412,364,321
Costs and expenses:			
Cost of sales	273,006,712	247,383,972	299,011,807
Selling, general, and administrative	46,645,119	43,417,024	43,221,186
Net gain from sale of or insurance settlement on property, plant and equipment	(75,054)	(93,299)	(1,508,892)
Interest expense	7,730,556	6,838,028	6,169,723
Other income, net	(1,615,942)	(898,902)	(1,439,635)
	325,691,391	296,646,823	345,454,189
Income before income taxes	54,958,016	60,383,252	66,910,132
Income tax expense	19,995,375	22,655,328	24,703,907
Net income	$ 34,962,641	$ 37,727,924	$ 42,206,225
Earnings per common share:			
Basic earnings per share	$ 2.81	$ 3.07	$ 3.48
Diluted earnings per share	$ 2.77	$ 3.02	$ 3.43
Weighted average number common shares	12,461,350	12,283,167	12,140,152
Weighted average number common shares and potentially dilutive common shares	12,600,654	12,475,817	12,302,176

See accompanying notes to the consolidated financial statements.

AZZ incorporated
CONSOLIDATED BALANCE SHEETS

	As of February 28,	
Assets	2011	2010
Current assets:		
Cash and cash equivalents	$ 138,389,837	$ 110,607,029
Accounts receivable, net of allowance for doubtful accounts of $720,000 in 2011 and 2010	61,945,377	39,431,918
Inventories	59,552,392	40,124,581
Costs and estimated earnings in excess of billings on uncompleted contracts	15,880,092	10,782,424
Deferred income tax assets	7,003,167	5,225,379
Prepaid expenses and other	1,248,270	1,281,605
Total current assets	284,019,135	207,452,936
Property, plant, and equipment, at cost:		
Land	12,096,398	5,694,013
Buildings and structures	78,142,939	60,292,211
Machinery and equipment	106,311,040	79,971,006
Furniture, fixtures, software and computers	13,735,200	12,336,230
Automotive equipment	2,058,072	2,073,225
Construction in progress	3,547,498	1,306,267
	215,891,147	161,672,952
Less accumulated depreciation	(90,529,512)	(74,308,450)
Net property, plant, and equipment	125,361,635	87,364,502
Goodwill	113,463,436	69,420,256
Intangibles and other assets	43,680,635	17,723,464
Total Assets	$ 566,524,841	$ 381,961,158

See accompanying notes to the consolidated financial statements.

AZZ incorporated
CONSOLIDATED BALANCE SHEETS (Continued)

Liabilities and Shareholders' Equity	As of February 28, 2011	2010
Current liabilities:		
Accounts payable	$ 21,713,896	$ 12,116,783
Income tax payable	2,838,901	246,602
Accrued salaries and wages	7,038,999	4,978,522
Other accrued liabilities	14,444,720	12,393,729
Customer advance payment	7,308,909	7,454,650
Profit sharing	4,713,445	5,216,000
Billings in excess of costs and estimated earnings on uncompleted contracts	127,360	1,221,902
Total current liabilities	58,186,230	43,628,188
Long-term debt due after one year	225,000,000	100,000,000
Deferred income tax liabilities	27,320,738	10,466,932
Total liabilities	$ 310,506,968	$ 154,095,120
Commitments and Contingencies		
Shareholders' equity:		
Common Stock, $1 par value; 50,000,000 shares authorized; 12,609,160 shares issued at February 28, 2011 and February 28, 2010	12,609,160	12,609,160
Capital in excess of par value	24,141,022	20,783,366
Retained earnings	218,889,963	196,394,134
Accumulated other comprehensive income (loss)	920,063	(672,858)
Less Common Stock held in treasury, at cost (109,804 shares at February 28, 2011 and 252,638 shares at February 28, 2010)	(542,335)	(1,247,764)
Total shareholders' equity	256,017,873	227,866,038
	$ 566,524,841	$ 381,961,158

See accompanying notes to the consolidated financial statements.

AZZ incorporated
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended		
	February 28, 2011	February 28, 2010	February 28, 2009
Cash flows from operating activities:			
Net income	$ 34,962,641	$ 37,727,924	$ 42,206,225
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	18,929,017	15,603,004	12,921,034
Amortization	3,237,065	1,823,491	1,606,957
Non-cash compensation expense	3,146,002	2,306,330	1,843,318
Non-cash interest expense	332,424	305,394	281,076
Provision for doubtful accounts	228,959	40,602	931,794
Deferred income tax expense (benefit)	(3,383,086)	(381,840)	5,568,600
Net gain on insurance settlement or sale of property, plant and equipment	(75,054)	(93,299)	(1,508,892)
Effects of changes in operating assets and liabilities, net of business acquisitions:			
Accounts receivable	(1,268,799)	26,822,381	(16,653,577)
Inventories	(11,291,056)	14,662,337	1,998,318
Prepaid expenses and other assets	303,161	(241,823)	43,211
Net change in billings related to costs and estimated earnings on uncompleted contracts	(6,192,210)	(985,767)	671,143
Accounts payable	2,653,172	(5,800,477)	755,889
Other accrued liabilities and income taxes	503,119	(9,200,471)	9,531,074
Net cash provided by operating activities	42,085,355	82,587,786	60,196,170
Cash flows from investing activities:			
Proceeds from the sale or insurance settlement of property, plant and equipment	235,303	423,751	3,529,481
Acquisition of subsidiaries, net of cash acquired	(104,091,416)	(6,899,561)	(96,332,010)
Purchases of property, plant and equipment	(16,410,874)	(12,036,726)	(20,008,583)
Net cash used in investing activities	(120,266,987)	(18,512,536)	(112,811,112)

See accompanying notes to the consolidated financial statements.

AZZ incorporated
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	For the years ended		
	February 28, 2011	February 28, 2010	February 28, 2009
Cash flows from financing activities:			
Proceeds from long-term debt	125,000,000	-	100,000,000
Debt acquisition costs	(1,254,002)	-	(2,000,000)
Tax benefits from stock options exercised	895,838	1,609,125	72,453
Proceeds from exercise of stock options and stock appreciation rights	379,955	466,117	31,242
Proceeds on revolving loan	12,000,000	-	-
Payments on revolving loan	(12,000,000)	-	-
Payments on long term debt	(7,300,000)	-	-
Proceeds from settlement of derivative	834,416	-	-
Cash dividends paid	(12,466,812)	(3,089,130)	-
Net cash provided by (used in) financing activities	106,089,395	(1,013,888)	98,103,695
Effect of exchange rate changes on cash	(124,955)	(12,044)	(157,983)
Net increase in cash and cash equivalents	27,782,808	63,049,318	45,330,770
Cash and cash equivalents at beginning of year	110,607,029	47,557,711	2,226,941
Cash and cash equivalents at end of year	$ 138,389,837	$ 110,607,029	$ 47,557,711
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 6,645,354	$ 6,532,634	$ 3,322,618
Income taxes	$ 13,849,749	$ 21,167,656	$ 20,558,538

See accompanying notes to the consolidated financial statements.

AZZ incorporated
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Capital in excess of	Retained earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Shares	Amount	par value		(Loss)		
Balance at February 29, 2008	12,609,160	$ 12,609,160	$ 16,369,938	$ 119,549,115	$ -	$ (2,371,588)	$ 146,156,625
Exercise of stock options			(5,364)			36,606	31,242
Stock compensation			1,804,637			38,681	1,843,318
Federal income tax deducted on stock options			72,453				72,453
Comprehensive income: Net income				42,206,225			42,206,225
Foreign currency translation					(3,198,159)		(3,198,159)
Comprehensive income							39,008,066
Balance at February 28, 2009	12,609,160	$ 12,609,160	$ 18,241,664	$ 161,755,340	$ (3,198,159)	$ (2,296,301)	$ 187,111,704
Exercise of stock options			142,368			323,749	466,117
Stock compensation			2,271,758			34,572	2,306,330
Stock issued for SARs			(1,995,438)			513,101	(1,482,337)
Employee Stock Purchase Plan			513,889			177,115	691,004
Federal income tax deducted on stock options			1,609,125				1,609,125
				(3,089,130)			(3,089,130)

Cash dividend paid							
Comprehensive income:							
Net income				37,727,924			37,727,924
Foreign currency translation					2,525,301		2,525,301
Comprehensive income							40,253,225
Balance at February 28, 2010	12,609,160	$ 12,609,160	$ 20,783,366	$ 196,394,134	$ (672,858)	$ (1,247,764)	$ 227,866,038
Exercise of stock options			146,241			233,714	379,955
Stock compensation			3,111,430			34,572	3,146,002
Stock issued for SARs			(1,316,946)			310,344	(1,006,602)
Employee Stock Purchase Plan			521,093			126,799	647,892
Federal income tax deducted on stock options			895,838				895,838
Cash dividend paid				(12,466,812)			(12,466,812)
Comprehensive income:							
Net income				34,962,641			34,962,641
Foreign currency translation					1,055,071		1,055,071
Interest rate swap, net of ($292,046) of income tax					537,850		537,850
Comprehensive income							36,555,562
Balance at February 28, 2011	12,609,160	$ 12,609,160	$ 24,141,022	$ 218,889,963	$ 920,063	$ (542,335)	$ 256,017,873

See accompanying notes to the consolidated financial statements.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Summary of significant accounting policies

Organization—AZZ incorporated (the "Company" "AZZ" or "We") operates primarily in the United States of America and Canada. Information about the Company's operations by segment is included in Note 11 to the consolidated financial statements.

Basis of consolidation—The consolidated financial statements were prepared in accordance with the accounting principles generally accepted in the United States of America and include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates—The preparation of the 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit risk—Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable.

The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are located throughout the United States and Company policy is designed to limit exposure to any one institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's banking relationships. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents. The majority of cash equivalents are invested in Treasury Funds or FDIC Guaranteed Liquidity programs.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the Company's diversity by virtue of two operating segments, the number of customers, and the absence of a concentration of trade accounts receivable in a small number of customers. The Company performs continuous evaluations of the collectability of trade accounts receivable and allowance for doubtful accounts based upon historical losses, economic conditions and customer specific events. After all collection efforts are exhausted and an account is deemed uncollectible, it is written off against the allowance for doubtful accounts. The Company's net credit losses in 2011, 2010 and 2009 were approximately $327,000, $231,000 and $662,000, respectively. Collateral is usually not required from customers as a condition of sale.

Revenue recognition—The Company recognizes revenue for the Electrical and Industrial Products Segment upon transfer of title and risk to customer or based upon the percentage-of-completion method of accounting for electrical products built to customer specifications under long-term contracts. We typically recognize revenue for the Galvanizing Services Segment 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.

Cash and cash equivalents—For purposes of reporting cash flows, cash and cash equivalents include cash on hand, deposits with banks and all highly liquid investments with an original maturity of three months or less.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Inventories—Cost is determined principally using a weighted-average method for the Electrical and Industrial Products Segment and the first-in-first-out (FIFO) method for the Galvanizing Services Segment.

Property, plant and equipment—For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and structures	10-25 years
Machinery and equipment	3-15 years
Furniture and fixtures	3-15 years
Automotive equipment	3 years

Maintenance and repairs are charged to expense as incurred; renewals and betterments that significantly extend the useful life of the asset are capitalized.

Long-lived assets, intangible assets and goodwill—Purchased intangible assets included on the balance sheet as other assets are comprised of customer lists, backlogs and non-compete agreements. Such intangible assets are being amortized using the straight-line method over the estimated useful lives of the assets ranging from two to fifteen years. The Company records 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 their carrying amount. In those situations, impairment loss on a long-lived asset is measured based on the excess of the carrying amount of the asset over the asset's fair value. For goodwill, the Company performs an annual impairment test on December 31st each year or as indicators are present. 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 flows, we 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.

Debt issue costs—Debt issue costs, included in other assets, are amortized using the effective interest rate method over the term of the debt.

Income taxes—Income tax expense is based on the asset and liability method. Under this method of accounting, deferred tax assets and liabilities are recognized based on differences between financial accounting and income tax basis of assets and liabilities using presently enacted tax rates and laws.

Stock-based compensation—The Company has granted stock options, stock appreciation rights or restricted stock units for a fixed number of shares to employees and directors. A discussion of stock-based compensation can be found in Note 9 of Notes to Consolidated Financial Statements.

Financial instruments —The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of financial instruments approximate the amount of their carrying value.

Derivative financial instruments—From time to time, the Company uses derivatives to manage interest rate risk. The Company's policy is to use derivatives for risk management purposes only, which includes maintaining the ratio between the Company's fixed and floating rate debt obligations that management deems appropriate, and prohibits entering into such contracts for trading purposes. The Company enters into derivatives only with counterparties (primarily financial institutions) which have substantial financial wherewithal to minimize credit risk. As the result of the recent global financial crisis, a number of financial institutions have failed or required government assistance, and counterparties considered substantial may develop credit risk. The amount of gains or losses from the use of derivative financial instruments has not been and is not expected to be material to the Company's consolidated financial statements. As of February 28, 2011, the Company had no derivative financial instruments.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Warranty reserves—Within other accrued liabilities, a reserve has been established to provide for the estimated future cost of warranties on a portion of the Company's delivered products. Management periodically reviews the reserves, and adjustments are made accordingly. A provision for warranty on products is made on the basis of the Company's historical experience and identified warranty issues. Warranties cover such factors as non-conformance to specifications and defects in material and workmanship.

The following is a roll-forward of amounts accrued for warranties:

	(In thousands)
Balance at February 29, 2008	$ 1,732
Warranty costs incurred	(1,454)
Additions charged to income	1,737
Balance at February 28, 2009	$ 2,015
Warranty costs incurred	(2,130)
Additions charged to income	2,912
Balance at February 28, 2010	$ 2,797
Warranty costs incurred	(2,821)
Additions charged to income	2,510
Balance at February 28, 2011	$ 2,486

Accumulated Other Comprehensive Income (Loss)—Accumulated other comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

On January 21, 2011, we entered into an additional Note Purchase Agreement, (the "2011 Agreement") and incurred fixed rate, long-term indebtedness of $125 million in relation to the 2011 Agreement. See note 10 to the consolidated financial statements. In anticipation of the 2011 Note Offering, we entered into a treasury lock hedging transaction with Bank of America Merrill Lynch ("BAML) in order to eliminate the variability of cash flows on the forecasted fixed rate coupon of the debt during the pre-issuance period. The hedging transaction settled during the Company's third fiscal quarter of fiscal 2011, and the Company received a payment from BAML in the amount of $834,416 resulting therefrom. The notional value of the hedge was $75 million and qualified for hedge accounting as a cash flow hedge. The gain on the settlement has been recorded as a component of Accumulated Other Comprehensive Income and will be amortized to interest expense over the life of the 10 year loan. Amortization for interest expense was recorded in the amount of $4,520 for fiscal 2011.

Accumulated other comprehensive income also includes foreign currency translation adjustments from our Canadian subsidiary, Blenkhorn and Sawle (B&S).

Foreign Currency Translation—The local currency is the functional currency for the Company's B&S subsidiary located in Canada. B&S's assets and liabilities are translated into United States dollars at exchange rates existing at the balance sheet date, and revenues and expenses are translated at weighted-average exchange rates. The foreign currency translation adjustment is recorded as a separate component of shareholders' equity and is included in accumulated other comprehensive income (loss).

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Recent Accounting Pronouncement—In March 2009, the Company adopted ASC 805-10 (formerly SFAS 141R), "Business Combinations," which continues the evolution toward fair value reporting and significantly changes the accounting for acquisitions, both at acquisition date and in subsequent periods. In April 2009, the FASB amended the guidance to clarify the accounting for assets acquired and liabilities assumed arising from contingencies. The new guidance retains the fundamental principles of purchase method of accounting for business combinations, however, it requires several changes in the way assets and liabilities are recognized in an acquisition. All assets acquired and liabilities assumed excluding contingent consideration, are recognized at the acquisition date fair value with limited exceptions. Acquisition related costs, including due diligence fees, are required to be expensed. New accounting concepts and valuation complexities are introduced and many of the changes have the potential to generate greater earnings volatility after acquisition. We applied the new accounting requirements to our most recent acquisitions on July 31, 2009 of Zinc Partners LLC and Pilot Galvanizing, Inc. and on June 14, 2010 of North American Galvanizing and Coatings, Inc. (NGA) and the total acquisition expense were $0.3 million and $1.9 million, respectively.

New Accounting Pronouncements—In 2009, the FASB issued a revised standard for accounting and disclosures of revenues related to arrangements with customers to provide multiple products and services at different points in time or over different time periods. This standard is effective for the Company's fiscal year ending February 29, 2012. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

2. Inventories

Inventories consist of the following:

	2011	2010
	(In thousands)	
Raw materials	$ 42,745	$ 23,356
Work-in-process	12,452	11,542
Finished goods	4,355	5,227
	$ 59,552	$ 40,125

3. Costs and estimated earnings on uncompleted contracts

Costs and estimated earnings on uncompleted contracts consist of the following:

	2011	2010
	(In thousands)	
Costs incurred on uncompleted contracts	$ 70,835	$ 83,169
Estimated earnings	49,375	53,876
	120,210	137,045
Less billings to date	104,457	127,485

	$ 15,753	$ 9,560

The amounts noted above are included in the accompanying consolidated balance sheet under the following captions:

	2011	2010
	(In thousands)	
Cost and estimated earnings in excess of billings on uncompleted contracts	$ 15,880	$ 10,782
Billings in excess of costs and estimated earnings on uncompleted contracts	(127)	(1,222)
	$ 15,753	$ 9,560

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Other accrued liabilities

Other accrued liabilities consist of the following:

	2011	2010
	(In thousands)	
Accrued interest	$ 3,353	$ 2,600
Tenant improvements	1,699	1,938
Accrued warranty	2,486	2,797
Commissions	1,510	1,737
Group medical insurance	1,198	1,009
Other	4,199	2,313
	$ 14,445	$ 12,394

5. Employee benefit plans

The Company has a trustee profit sharing plan and 401(k) plan covering substantially all of its employees. Under the provisions of the plan, the Company contributes amounts as authorized by the Board of Directors. Total contributions to the profit sharing plan, which included the Company's 401(k) matching, were $6,118,000 for 2011, $6,711,000 for 2010 and $7,435,000 for 2009.

6. Income taxes

Deferred federal and state income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial accounting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income tax liability are as follows:

	2011	2010
	(In thousands)	
Deferred income tax assets:		
Employee related items	$ 2,643	$ 1,686
Inventories	690	334
Accrued warranty	932	1,049
Accounts receivable	271	269
Other	2,467	1,887
Total deferred income tax assets	$ 7,003	$ 5,225

Deferred income tax liabilities:				
Depreciation methods and property basis differences	$	(11,570)	$	(5,842)
Other assets and tax-deductible goodwill		(15,751)		(4,625)
Total deferred income tax liabilities		(27,321)		(10,467)
Net deferred income tax liabilities	$	(20,318)	$	(5,242)

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The provision for income taxes consists of:

	2011	2010	2009
		(In thousands)	
Federal:			
Current	$ 21,057	$ 19,306	$ 16,363
Deferred	(3,439)	(118)	5,264
State:			
Current	2,346	3,743	2,725
Deferred	(178)	(8)	400
Foreign			
Current		-	70
Deferred	209	(268)	(118)
	$ 19,995	$ 22,655	$ 24,704

A reconciliation from the federal statutory income tax rate to the effective income tax rate is as follows:

	2011	2010	2009
Statutory federal income tax rate	35.0%	35.0%	35.0%
Expenses not deductible for tax purposes	1.5	.2	.2
State income taxes, net of federal income tax benefit	2.7	3.7	3.2
Benefit of Section 199 of the Code, manufacturing deduction	(3.7)	(1.8)	(1.6)
Other	.9	.4	.1
Effective income tax rate	36.4%	37.5%	36.9%

7. Intangible assets and goodwill

Goodwill is not amortized but is subject to annual impairment tests. Other intangible assets continue to be amortized over their useful lives.

Changes in goodwill by segment during the year are as follows:

Segment	March 1, 2010	Acquisitions	Foreign Exchange Translation	February 28, 2011
		(In thousands)		
Galvanizing services	$ 26,863	$ 43,108	$ -	$ 69,971
Electrical & industrial products	42,557	-	935	43,492

Total	$ 69,420	$ 43,108	$ 935	$ 113,463

Segment	March 1, 2009	Acquisitions	Foreign Exchange Translation	February 28, 2010
		(In thousands)		
Galvanizing services	$ 25,584	$ 1,279	$ -	$ 26,863
Electrical & industrial products	40,573	-	1,984	42,557
Total	$ 66,157	$ 1,279	$ 1,984	$ 69,420

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Segment	March 1, 2008	Acquisitions	Foreign Exchange Translation	February 28, 2009
		(In thousands)		
Galvanizing services	$ 9,966	$ 15,618	$ -	$ 25,584
Electrical & industrial products	30,996	12,062	(2,485)	40,573
Total	$ 40,962	$ 27,680	$ (2,485)	$ 66,157

The Company completes its annual impairment analysis of goodwill on December 31st of each year. As a result the Company determined that there was no impairment of goodwill. There have been no impairment charges of goodwill through February 28, 2011.

Intangible assets consisted of the following:

	2011	2010
	(In thousands)	
Amortizable intangible assets		
Customer related intangibles	$ 42,475	$ 15,675
Non-compete agreements	2,983	2,983
Trademarks	2,110	853
Certifications	267	247
Backlog	965	892
	48,800	20,650
Less accumulated amortization	7,812	4,491
	$ 40,988	$ 16,159

Accumulated amortization related to customer related intangibles and non-compete agreements were $4,298,000 and $2,134,000, respectively, at February 28, 2011, and $1,854,000 and $1,722,000, respectively, at February 28, 2010.

The Company recorded amortization expenses for Fiscal 2011, 2010 and 2009 in the amount of $3,237,000, $1,823,000 and $1,607,000, respectively. The following table projects the estimated amortization expense for the five succeeding fiscal years and thereafter.

	(In thousands)
2012	$ 3,676
2013	3,671

2014		3,294
2015		3,264
2016		3,264
Thereafter		23,819
Total	$	40,988

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Earnings per share

Basic earnings per share is based on the weighted average number of shares outstanding during each year. Diluted earnings per share were similarly computed but have been adjusted for the dilutive effect of the weighted average number of stock options, stock appreciation rights and restricted stock units outstanding.

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

	2011	2010	2009
	(In thousands, except share and per share amounts)		
Numerator:			
Net income for basic and diluted earnings per common share	$34,963	$ 37,728	$ 42,206
Denominator:			
Denominator for basic earnings per common share - weighted-average shares	12,461,350	12,283,167	12,140,152
Effect of dilutive securities:			
Stock compensation award	139,304	192,650	162,024
Denominator for diluted earnings per common share - adjusted weighted-average shares	12,600,654	12,475,817	12,302,176
Earnings per share basic and diluted:			
Basic earnings per common share	$ 2.81	$ 3.07	$ 3.48
Diluted earnings per common share	$ 2.77	$ 3.02	$ 3.43

Stock options or Stock Appreciation Rights for which the exercise price was greater than the average market price of common shares were not included in the computation of diluted earnings per share as the effect would be anti-dilutive. At the end of fiscal years 2011, 2010 and 2009, there were none, 121,170, and 131,690 stock options and stock appreciation rights, respectively, outstanding with exercise prices greater than the average market price of common shares.

9. Stock compensation

During fiscal 2002, the Company adopted the AZZ incorporated 2001 Long-Term Incentive Plan (“2001 Plan and, together with the 2001 Plan, the “Plans”") and during fiscal 2006, it adopted the AZZ incorporated 2005 Long Term Plan

(as subsequently amended and restated, the "2005 Plan"). The purpose of both Plans is to promote the growth and prosperity of the Company by permitting the Company to grant to its employees, directors and advisors various types of Restricted Stock awards and options to purchase Common Stock of the Company. The maximum number of shares that may be issued under the 2001 Plan is 1,500,000 shares and under the 2005 Plan is 1,000,000 shares.

In conjunction with the adoption of the 2001 Plan, all options still available for issuance under pre-existing option plans were terminated. At February 28, 2011, 11,746 vested options were outstanding under the 2001 Plan and exercisable at prices ranging from $4.22 to $12.12 per share. Options under the 2001 Plan vest from immediately upon issuance to ratably over a period of three to five years and expire at various dates through March 2013. There were no new options or Stock Appreciation Rights granted under the 2001 plan during fiscal 2011.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On June 1, 2006, 234,160 stock appreciation rights ("Stock Appreciation Rights" or "SARs") were issued under the 2005 Plan with an exercise price of $11.55. As of February 28, 2011, none of these SARs were outstanding. These awards qualify for equity treatment. These SARs 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%, no dividend yield, expected volatility of 27.81% and expected life of 3 years. Compensation expenses related to the June 1, 2006 grant were $0, $19,000 and $120,000 for fiscal 2011, 2010 and 2009, respectively. None of these SARs were outstanding as of February 28, 2011.

On March 1, 2007, 147,740 Stock Appreciation Rights were awarded 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. The weighted average fair value of SARs granted on March 1, 2007, was determined to be $5.54 based on the following assumptions: risk-free interest rate of 5%, no dividend yield, expected volatility of 29.52% and expected life of 3 years. As of February 28, 2011, none of these SARs were outstanding. Compensation expense related to the March 1, 2007 grants were $0, $103,000 and $202,000 for fiscal 2011, 2010 and 2009, respectively.

On March 1, 2008, 131,690 Stock Appreciation Rights were awarded under the 2005 Plan with an exercise price of $35.88. 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. The weighted average fair value of SARs awarded on March 1, 2008, was determined to be $11.80 based on the following assumptions: risk-free interest rate of 5%, dividend yield of 0.0%, expected volatility of 41.81% and expected life of 3 years. As of February 28, 2011, 123,060 of these SARs were outstanding after giving effect to the forfeiture of 6,740 SARs and the exercise of 1,890 SARs due to the accelerated vesting of a retired employee. Compensation expense related to the March 1, 2008 SAR grants was recognized in the amount of $235,000, $234,000 and $1,091,000, respectively for fiscal 2011, fiscal 2010 and fiscal 2009. We had unrecognized cost of $1,000 related to the March 1, 2008 SAR grants as of February 28, 2011.

On September 1, 2008, we adopted the AZZ incorporated Employee Stock Purchase Plan (the "Plan"). The purpose of the Plan is to allow employees of the Company to purchase Common Stock of the Company through accumulated payroll deductions. Offerings under the Plan have a duration of 24 months. On the first day of an offering period (the "Enrollment Date"), the participant is granted the option to purchase shares on each exercise date during the offering period up to 10% of the participant's compensation at the lower of 85% of the fair market value of a share of Common Stock on the Enrollment Date or 85% of the fair market value of a share of Common Stock on the Exercise Date. The participant's right to purchase Common Stock in the Plan is restricted to no more than $25,000 per calendar year, and the participant may not purchase more than 5,000 shares under the Plan during any offering period. Participants may terminate their interest in a given offering, or a given exercise period, by withdrawing all, but not less than all, of the accumulated payroll deductions of the account at any time prior to the end of the offering period.

We estimated the shares to be issued on the first enrollment at September 1, 2008 to be 36,100 shares after forfeitures. The weighted average fair value of these shares was determined to be $14.69 based on the following assumptions: risk-free interest rate of 2%, dividend yield of 0.0%, expected volatility of 50.40% and expected life of

2 years. Compensation expenses in the amount of $133,000, $265,000 and $103,000 were recognized during fiscal 2011, 2010, and 2009, respectively. As of February 28, 2011, we had no unrecognized costs related to the first issuance under the Plan. In accordance with the Plan, we issued 20,822, 9,097, 7,245 and 7,584 shares on March 1, 2009, September 1, 2009, March 1, 2010 and September 1, 2010, respectively, to the enrolled employees.

On March 1, 2009, the date of the second offering, the estimated shares to be issued were 14,019 after forfeitures. The weighted average fair value of these shares was determined to be $7.33 based on the following assumptions: risk-free interest rate of 3%, dividend yield of 0.0%, expected volatility of 50.40% and expected life of 2 years. Compensation expenses relating to the second issuance under the Plan in the amount of $51,000, $51,000 and $0 were recognized during fiscal 2011, 2010, and 2009, respectively. In accordance with the Plan, we issued 5,943, 4,175 and 4,139 shares on September 1, 2009, March 1, 2010 and September 1, 2010, respectively. As of February 28, 2011, we had no unrecognized costs related to the second issuance under the Plan.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On September 1, 2009, the date of the third offering, the estimated shares to be issued were 3,523 after estimated forfeitures. The weighted average fair value of these shares was determined to be $15.31 based on the following assumptions: risk-free interest rate of 3.25%, dividend yield of 0.0%, expected volatility of 54.52% and expected life of 2 years. Compensation expense related to the third issuance under the Plan in the amount of $27,000 and $13,000 was recognized during fiscal 2011 and 2010, respectively. As of February 28, 2011, we had unrecognized costs of $13,000 related to the third issuance under the Plan. In accordance with the Plan, 991 and 793 shares were issued on March 1, 2010 and September 1, 2010, respectively, to the enrolled employees.

On March 1, 2010, the date of the fourth offering, the estimated shares to be issued were 2,715 after estimated forfeitures. The weighted average fair value of these shares was determined to be $15.19 based on the following assumptions: risk-free interest rate of 3.87%, dividend yield of 2.96%, expected volatility of 67.65% and expected life of 2 years. Compensation expense related to the fourth issuance under the Plan in the amount of $21,000 was recognized during fiscal 2011. In accordance with the Plan we issued 747 shares on September 1, 2010, to the enrolled employees. As of February 28, 2011, we had unrecognized costs of $21,000 related to the fourth issuance under of the Plan.

On September 1, 2010, the date of the fifth offering, the estimated shares to be issued were 47,078 after estimated forfeitures. The weighted average fair value of these shares was determined to be $15.76 based on the following assumptions: risk-free interest rate of 2.59%, dividend yield of 2.43%, expected volatility of 52.11% and expected life of 2 years. Compensation expense related to the fifth issuance under the Plan in the amount of $185,000 was recognized during fiscal 2011. As of February 28, 2011, we had unrecognized costs of $556,000 related to the fifth issuance under the Plan.

On March 1, 2009, 31,666 shares of Restricted Stock Units were issued to our key employees under the 2005 Plan. The Restricted Stock Unit awards have a three year cliff vesting schedule, but may vest early under accelerated vesting provisions in the 2005 Plan. The market value of a share of our Common Stock was $18.12 on the date the Company granted the Restricted Stock Units. Compensation expense related to these Restricted Stock Units in the amount of $75,000 and $423,000 was recognized during fiscal 2011 and 2010, respectively. The amount of unrecognized cost related to these Restricted Stock Units at February 28, 2011 was $75,000.

On March 1, 2009, we awarded 163,233 Stock Appreciation Rights under the 2005 Plan with an exercise price of $18.12. The weighted average fair value of the SARs awarded on March 1, 2009, was determined to be $8.08 based on the following assumptions: risk-free interest rate of 3%, dividend yield of 0.0%, expected volatility of 46.89% and expected life of 5 years. As of February 28, 2011, 119,557 SARs were outstanding after giving effect to the forfeiture of 1,661 SARs and the exercise of 42,015 SARs. Compensation expense related to the March 1, 2009 SAR grants in the amount of $175,000 and $969,000 was recognized during fiscal 2011 and 2010, respectively. As of February 28, 2011, we had unrecognized cost of $175,000 related to the March 1, 2009 SAR grants.

On March 1, 2010, 150,382 Stock Appreciation Rights were awarded under the 2005 Plan with an exercise price of $31.67. The weighted average fair value of SARs awarded on March 1, 2010, was determined to be $12.31 based on the following assumptions: risk-free interest rate of 3.61%, dividend yield of 3.16%, expected volatility of 53.31% and

expected life of 5 years. Compensation expense related to the March 1, 2010 SAR grants in the amount of $1,360,000 was recognized during the year ended February 28, 2011. As of February 28, 2011, we had unrecognized cost of $490,000 related to the March 1, 2010 SAR grants.

On March 1, 2010, we issued 22,906 shares of Restricted Stock to our key employees under the 2005 Plan. The market value of a share of our Common Stock was $31.67 on the date of grant. Compensation expense related to the March 1, 2010 Restricted Stock grants in the amount of $535,000 was recognized during fiscal 2011. The amount of unrecognized cost at February 28, 2011 was $190,000 related to the March 1, 2010 Restricted Stock grants.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On June 1, 2010, we issued 1,887 shares of Restricted Stock to a key employee under the 2005 Plan. The market value of a share of our Common Stock was $40.01 on the date of grant. Compensation expense related to the June 1, 2010 Restricted Stock grants in the amount of $19,000 was recognized during the year ended February 28, 2011. The amount of unrecognized cost at February 28, 2011 was $57,000 related to the June 1, 2010 Restricted Stock grants.

On June 1, 2010, we awarded 11,014 Stock Appreciation Rights to a key employee under the 2005 Plan with an exercise price of $40.01. The weighted average fair value of SARs awarded on June 1, 2010, was determined to be $15.70 based on the following assumptions: risk-free interest rate of 2.20%, dividend yield of 2.50%, expected volatility of 53.32% and expected life of 5 years. Compensation expense related to the June 1, 2010 SARs grant in the amount of $43,000 was recognized during the year ended February 28, 2011. As of February 28, 2011, we had unrecognized cost of $130,000 related to the June 1, 2010 SARs grant.

During each of fiscal 2011, 2010 and 2009, the Company granted each of its seven independent directors 1,000 shares of the Company's Common Stock, respectively. Stock compensation expense was recognized with regard to these grants in the amount of $286,000, $226,000 and $317,000 for fiscal 2011, 2010 and 2009, respectively.

A summary of the Company's stock option and equity settled Stock Appreciation Rights activity and related information is as follows:

	2011		2010		2009	
	Options/ SAR's	Weighted Average Exercise Price	Options/ SAR's	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	475,141	$ 21.86	607,070	$ 17.87	485,292	$ 12.78
Granted	161,396	32.24	163,233	18.12	131,690	35.80
Exercised	(216,697)	16.95	(288,422)	11.02	(9,912)	6.89
Forfeited	(4,081)	19.17	(6,740)	35.88	0	N/A
Outstanding at end of year	415,759	$ 28.47	475,141	$ 21.86	607,070	$ 17.87
Exercisable at end of year	243,698	$ 27.20	290,760	$ 20.32	414,350	$ 16.24
Weighted average fair value for the fiscal year indicated of options and SARs granted during such year		$ 12.54		$ 8.08		$ 11.80

The aggregate intrinsic value of the equity settled Stock Appreciation Rights and stock options for the outstanding shares/Stock Appreciation Rights and exercisable shares/Stock Appreciation Rights at February 28, 2011 were $5.9 million and $3.8 million, respectively.

The following table summarizes additional information about stock options and Stock Appreciation Rights outstanding at February 28, 2011.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Range of Exercise Prices	Total Shares/ SAR's	Weighted Average Remaining Life	Weighted Average Exercise Price	Shares / SAR's Currently Exercisable	Weighted Average Exercise Price
4.22 - $$5.54	7,746	2.08	$4.22	7,746	$ 4.22
7.70 - $$8.80	4,000	1.33	$7.70	4,000	$ 7.70
18.12 - $$29.97	121,447	0.99	$18.30	77,406	$ 18.12
31.67 - $$40.01	282,556	1.15	$33.80	154,546	$ 33.41
4.22 - $$40.01	415,759	1.12	$28.47	243,698	$ 27.20

As of February 28, 2011, the Company has approximately 558,083 shares reserved for future issuance under its various stock plans.

10. Long-term debt

Long-term debt consists of the following:	2011	2010
	(In thousands)	
Senior Note, due in balloon payment in January 2021	$ 125,000	-
Senior Note, due in annual installments of $14,285,714 beginning in March 2012 through March 2018	$ 100,000	$ 100,000
Revolving line of credit with bank	-	-
	$ 225,000	$ 100,000
Less amount due within one year	-	-
	$ 225,000	$ 100,000

On May 25, 2006, we entered into the Second Amended and Restated Credit Agreement (the "Credit Agreement") by and between AZZ and Bank of America, N.A. ("Bank of America"). The Credit Agreement provides for a $60 million unsecured revolving line of credit, maturing on May 25, 2011. The facility is used to provide for working capital needs, capital improvements, debt repayment, future acquisitions and letter of credit needs. On April 29, 2010, we amended the Credit Agreement to provide for an $80 million unsecured revolving line of credit maturing on May 25, 2014, increase the amount of cash dividends the Company is allowed to pay to $15 million annually and increase the

basket for AZZ common stock repurchases to $40 million over the life of the Credit Agreement.

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 $182.3 million plus 50% 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 3.25:1.0, c) Fixed Charge Coverage Ratio– Maintain on a consolidated basis a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of at least 1.75:1.0 and d) Capital Expenditures–Not to make Capital Expenditures (as defined in the Credit Agreement) on a consolidated basis in an amount in excess of $30 million.

The Credit Agreement also provides for an applicable margin ranging from 1.00% to 1.75% over the Eurodollar Rate and Commitment Fees ranging from .20% to .30% depending on our Leverage Ratio.

At February 28, 2011 and 2010, we had no outstanding debt against the revolving credit facility. As of February 28, 2011, we had letters of credit outstanding in the amount of $12.3 million, which left approximately $67.7 million of additional credit available under the Credit Agreement.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On March 31, 2008, the Company entered into a Note Purchase Agreement (the "Note Purchase Agreement") pursuant to which the Company issued $100 million aggregate principal amount of its 6.24% unsecured Senior Notes (“2008 Notes”) due March 31, 2018 through a private placement (the "2008 Note Offering"). These 2008 Notes are for 10 years with interest only paid semi annually for the first 4 years and then principal payments of $14.3 million paid each year starting on March 31, 2012 plus applicable interest paid each quarter. Pursuant to the Note Purchase Agreement, the Company’s payment obligations with respect to the 2008 Notes may be accelerated upon any Event of Default, as defined in the Note Purchase Agreement.

The Company entered into an additional Note Purchase Agreement on January 21, 2011 (the “2011 Agreement”), pursuant to which the Company issued $125 million aggregate principal amount of its 5.42% unsecured Senior Notes (the “2011 Notes”), due in January of 2021, through a private placement (the “2011 Note Offering”). Pursuant to the 2011 Agreement, the Company’s payment obligations with respect to the 2011 Notes could be accelerated under certain circumstances. The Company anticipates using the proceeds from the 2011 Note Offering for possible future acquisitions, working capital needs, capital improvements, debt repayment and future cash dividend payments.

In connection with the 2008 Note Offering the Company entered into an amendment to our Credit Agreement. The Second Amendment contained the consent of Bank of America to the 2008 Note Offering, amended the Credit Agreement to provide that the 2008 Note Offering will not constitute a default under the Credit Agreement and amended Credit Agreement to reflect the same financial covenants as the 2008 Notes. In connection with the 2011 Note Offering, the Company obtained the consent of Bank of America to the 2011 Note Offering and the agreement of Bank of America that the 2011 Note Offering will not constitute a default under the Credit Agreement.

The 2008 Notes and 2011 Notes provide for various financial covenants of a) Minimum Consolidated Net Worth - Maintain on a consolidated basis net worth equal to at least the sum of $116.9 million plus 50% of future net income; b) Maximum Ratio of Consolidated Indebtedness to Consolidated EBITDA - Maintain a ratio of indebtedness to EBITDA (as defined in Note Purchase Agreement) not to exceed 3.25:1.00; c) Fixed Charge Coverage Ratio – Maintain on a consolidated basis a Fixed Charge Coverage Ratio (as defined in Note Purchase Agreement) of at least 2.0:1.0; d) Priority Indebtedness – The Company will not at any time permit aggregate amount of all Priority Indebtedness (as defined in Note Purchase Agreement) to exceed 10% of Consolidated Net Worth (as defined in Note Purchase Agreement).

As of February 28, 2011, the Company is in compliance with all of its debt covenants.

Maturities of long-term debt are as follows:

	(In thousands)
2012	$ -
2013	14,286
2014	14,286
2015	14,286
2016	14,286

Thereafter		167,856
Total	$	225,000

11. Operating segments

The Company has two reportable segments: (1) Electrical and Industrial Products and (2) Galvanizing Services. The Electrical and Industrial Products Segment provides highly engineered specialty components to the power generation transmission and distribution market and to the industrial market. The Galvanizing Services Segment provides hot dip galvanizing services to the steel fabrication industry through facilities located throughout the South, Midwest, East Coast and Southwest of the United States. Hot dip galvanizing is a metallurgical process by which molten zinc is applied to a customer's material. The zinc bonding renders a corrosive resistant coating enhancing the life of the material for up to fifty years.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Information regarding operations and assets by segment is as follows:

	2011	2010	2009
Net sales:		(In thousands)	
Electrical and Industrial Products	$ 162,600	$ 203,457	$ 225,797
Galvanizing Services	218,049	153,573	186,567
	$ 380,649	$ 357,030	$ 412,364
Segment Operating income (a):			
Electrical and Industrial Products	$ 27,072	$ 40,803	$ 38,952
Galvanizing Services	56,965	44,843	53,183
Total Segment Operating Income	84,037	85,646	92,135
General corporate expenses (b)	21,492	18,447	19,441
Interest expense	7,731	6,838	6,170
Other (income) expense, net (c)	(144)	(22)	(386)
		25,263	25,225
Income before income taxes	$ 54,958	$ 60,383	$ 66,910
Depreciation and amortization:			
Electrical and Industrial Products	$ 3,396	$ 3,725	$ 3,116
Galvanizing Services	17,004	12,163	10,280
Corporate	1,766	1,539	1,176
	$ 22,166	$ 17,427	$ 14,572
Expenditures for acquisitions, net of cash, and property, plant and equipment:			
Electrical and Industrial Products	$ 1,282	$ 2,311	$ 20,339
Galvanizing Services	117,746	15,486	92,811
Corporate	1,474	1,139	3,248
	$ 120,502	$ 18,936	$ 116,398
Total assets:			
Electrical and Industrial Products	$ 136,381	$ 119,689	$ 159,334
Galvanizing Services	277,366	139,228	138,826
Corporate	152,778	123,044	56,555
	$ 566,525	$ 381,961	$ 354,715
Goodwill:			
Electrical and Industrial Products	$ 69,971	$ 42,557	$ 40,574
Galvanizing Services	43,492	26,863	25,583
	$ 113,463	$ 69,420	$ 66,157

(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.

(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.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Commitments and contingencies

Leases

The Company leases various facilities under non-cancelable operating leases with initial terms in excess of one year. As of February 28, 2011, the future minimum payments required under these operating leases are summarized in the below table. Rental expense for real estate and personal property was approximately $6,671,000, $5,823,000 and $4,713,000 for fiscal years 2011, 2010 and 2009, respectively, and includes all short-term as well as long-term rental agreements.

The following summarizes the Company's operating leases for the next five years and thereafter.

	(In thousands)
2012	$ 4,161
2013	3,705
2014	3,249
2015	3,078
2016	2,793
Thereafter	9,011
Total	$ 25,997

Commodity pricing

The Company manages its exposures to commodity prices through the use of the following:

In the Electrical and Industrial Products Segment, the Company has 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 continuing difficult market conditions these escalation clauses may not be obtainable.

In the Galvanizing Services Segment, the Company utilizes contracts with our zinc suppliers that include protective caps to guard against rising zinc prices. The Company also secures firm pricing for natural gas supplies with individual utilities when possible. There is 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 escalation.

Other

At February 28, 2011, the Company had outstanding letters of credit in the amount of $12.3 million. These letters of credit are issued to customers in our Electrical and Industrial Products Segment to cover any potential warranty costs and in lieu of performance and bid bonds. In addition, as of February 28, 2011, a warranty reserve in the amount of $2.5 million has been established to offset any future warranty claims.

The Company has been named as a defendant in certain lawsuits in the normal course in business. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these matters should not have a material effect on our financial position or results of operations.

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Quarterly financial information, Unaudited (in thousands, except per share amounts)

	Quarter ended			
	May 31, 2010	August 31, 2010	November 30, 2010	February 28, 2011
Net sales	$ 77,475	$ 99,591	$ 102,898	$ 100,686
Gross profit	23,563	29,053	27,645	27,383
Net income	6,373	9,647	9,718	9,225
Basic earnings per common share	.51	.77	.78	.74
Diluted earnings per common share	.51	.77	.77	.73

	Quarter ended			
	May 31, 2009	August 31, 2009	November 30, 2009	February 28, 2010
Net sales	$ 95,492	$ 95,157	$ 81,518	$ 84,863
Gross profit	29,688	30,614	25,713	23,631
Net income	9,900	11,119	8,743	7,966
Basic earnings per common share	.81	.91	.71	.64
Diluted earnings per common share	.80	.89	.70	.64

14. Acquisitions

On August 3, 2010, we completed our acquisition of North American Galvanizing & Coatings, Inc. (“NGA”), a leading provider of corrosion protection for iron and steel components fabricated by its customers. AZZ gained control of NGA on June 14, 2010 by acquiring approximately 83% of its outstanding capital stock (calculated on a fully diluted basis) through a cash tender offer and caused NGA to be merged with and into an indirect wholly owned subsidiary of AZZ created solely for such acquisition, with NGA as the surviving entity. Pursuant to the terms of the Agreement and Plan of Merger among AZZ, such subsidiary of AZZ and NGA, upon the completion of this merger each share of the remaining 17% of NGA’s outstanding capital stock (i.e., the shares not held by AZZ) was converted into the right to receive the same per-share cash consideration paid in such tender offer. This merger resulted in NGA being an indirect wholly-owned subsidiary of AZZ. The total cash purchase price for NGA was $132 million ($104 million net of cash acquired on hand at NGA of $28 million). The acquisition was funded from our cash on hand and our existing credit facility. As of February 28, 2011, we have expensed $1.9 million in acquisition costs related to the NGA acquisition. Acquisition costs are included in selling, general and administrative expenses. This acquisition is included in the Galvanizing Services Segment. The acquisition was made to complement our existing facilities in this region and to expand our geographic footprint.

Under the acquisition method of accounting, the total purchase price was allocated to NGA’s net tangible and intangible assets based on their estimated fair values as of June 14, 2010, the date on which AZZ acquired control of

NGA through the acquisition of approximately 83% of NGA's outstanding capital stock (calculated on a fully diluted basis). The excess of the purchase price over the net tangible and intangible assets are recorded as goodwill. The following table summarizes the estimated fair value of the assets acquired and liabilities of NGA assumed at the date of acquisition:

AZZ incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	($ in thousands)
Current Assets	$ 58,176
Property and Equipment	40,552
Intangible Assets	28,000
Goodwill	43,109
Other Assets	2,950
Total Assets Acquired	172,787
Current Liabilities	(11,670)
Long Term Liabilities	(28,673)
Net Assets Acquired	$ 132,444

All of the $28.0 million of intangible assets acquired are assigned to customer related intangibles and other. The goodwill recorded in connection with the acquisition is primarily attributable to a larger geographic footprint and also synergies expected to arise. These intangible assets are being amortized and have a weighted average life of 12.4 years. Goodwill of $43.1 million arising from the acquisition has been allocated to the Galvanizing Services Segment and will not be deductible for income tax purposes. Total revenues and earnings of NGA reflected in the current year are $49.7 million and $12.2 million, respectively.

The following consolidated pro forma information assumes that the acquisition of NGA took place on March 1, 2009 for the income statements for the years ended 2011 and 2010.

	February 28, 2011	February 28, 2010
	(In thousands, except per share amounts)	
Net Sales	$ 399,560	$ 434,113
Net Income	$ 38,637	$ 49,692
Earnings Per Common Share:		
Basic Earnings Per Share	$ 3.10	$ 4.05
Diluted Earnings Per Share	$ 3.07	$ 3.98

On March 31, 2008, AZZ acquired substantially all of the assets of AAA Industries, Inc. The purchase price of the transaction was approximately $81.6 million. The purchased assets included six galvanizing plants (three plants located in Illinois, one plant located in Indiana, one plant located in Minnesota and one plant located in Oklahoma) and related equipment and supplies. This acquisition is included in the Galvanizing Services Segment. The acquisition was made to compliment our existing facilities in this region and to expand our geographic footprint.

The following table summarizes the estimated fair value of the assets acquired and liabilities of AAA Industries, Inc. assumed at the date of acquisition:

	($ in thousands)
Current Assets	$ 18,061
Property and Equipment	32,879
Intangible Assets	16,070
Goodwill	15,618
Total Assets Acquired	82,628
Current Liabilities	(1,053)
Net Assets Acquired	$ 81,575

Of the $16.1 million of intangible assets acquired, $1.8 million and $14.3 million are assigned to non-compete agreements and customer related intangibles and other, respectively. The goodwill assigned to other represents the expected synergies from the merger of operations and intangible assets that do not qualify for separation recognition. These intangible assets are being amortized and have a weighted average life of 13.8 years. As of March 31, 2008 goodwill of $15.6 million arising from the acquisition has been allocated to the Galvanizing Services Segment and will be deductible for income tax purposes.

The following consolidated pro forma information assumes that the acquisition of AAA Industries, Inc. took place on March 1, 2008 for the income statements for the year ended 2009.

	February 28, 2009
(In thousands, except per share amounts)	
Net Sales	$ 416,914
Net Income	$ 42,237
Earnings Per Common Share:	
Basic Earnings Per Share	$ 3.48
Diluted Earnings Per Share	$ 3.43

On July 31, 2009, AZZ acquired substantially all of the assets related to Pilot Galvanizing, Inc. in Poca, West Virginia, and Zinc Partners, LLC in Bristol, Virginia. The acquisition is a part of the stated AZZ strategy to continue the geographic expansion of our served market in order to provide a basis for continued growth of the Galvanizing Services Segment of the Company.

On July 1, 2008, we acquired substantially all of the assets of Blenkhorn and Sawle, Ltd., headquartered in St. Catharines, Ontario, Canada. The purchase price was approximately $14.9 million in cash plus assumption of certain current liabilities. Goodwill recognized in connection with the transaction was $12.1 million and is expected to be deductible for tax purposes. Intangible assets recognized were $2 million including customer lists and trademarks. Blenkhorn and Sawle has been a premier supplier of electrical equipment since 1948. As a custom turn-key solutions provider and certified professional engineering house, they have supplied products to the major utility companies, and to the oil and gas, mining, industrial and nuclear power industries in Canada. This acquisition

is included in our Electrical and Industrial Products Segment. The acquisition was made to obtain a local manufacturer of electrical products to expand our served markets to include the Canadian Utility market.

Schedule II
AZZ incorporated

Valuation and Qualifying Accounts and Reserves
(In thousands)

	Year Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
Allowance for Doubtful Accounts			
Balance at Beginning of year	$ 720	$ 900	$ 630
Balance acquired by acquisition	97	10	-
Additions charged or credited to income	229	41	932
Balances written off, net of recoveries	(327)	(231)	(662)
Effect of exchange rate	1	-	-
Balance at end of year	$ 720	$ 720	$ 900

Item 15. Exhibits and Financial Statement Schedules.

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 Form 10-K/A is set forth in the Index to Exhibits beginning on page 33, which immediately precedes such exhibits.

SIGNATURES

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

AZZ incorporated
(Registrant)

Date: 8/26/2011

By: /s/ David H. Dingus

David H. Dingus, Principal Executive Officer and Director

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

/s/David H. Dingus
David H. Dingus, Principal Executive Officer and Director

/s/ Dana L. Perry
Dana L. Perry, Principal Financial Officer and Director

/s/Daniel R. Feehan
Daniel R. Feehan, Director

/s/ Richard Butler
Richard Butler, Vice President and Controller, Principal Accounting Officer

/s/Martin C. Bowen
Martin C. Bowen, Director

/s/Peter A. Hegedus
Peter A. Hegedus, Director

/s/Daniel E. Berce
Daniel E. Berce, Director

/s/Dr. H. Kirk Downey
Dr. H. Kirk Downey, Chairman of the Board and Director

/s/Sam Rosen
Sam Rosen, Director

/s/Kevern R. Joyce
Kevern R. Joyce, Director

EXHIBIT INDEX

Exhibit No.	
31.1	Chief Executive Officer Certificate pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 26, 2011. Filed Herewith.
31.2	Chief Financial Officer Certificate pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 26, 2011. 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 August 26, 2011. Filed Herewith.
32.2	Chief Financial Officer Certificate pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 26, 2011. Filed Herewith.