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Gales Industries Inc
Form 8-K/A
June 11, 2007

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

FORM 8-K/A

CURRENT REPORT
(Amendment No. 2)
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): April 24, 2007

GALES INDUSTRIES INCORPORATED
(Exact Name of Registrant as Specified in its Charter)

Delaware
State of Incorporation

000-29245
Commission File Number

20-4458244
IRS Employer I.D. Number

1479 North Clinton Avenue
Bayshore, New York 11706
Address of principal executive offices

Registrant's telephone number: (631) 968-5000

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

This amendment corrects a typographical error in the unaudited pro forma consolidated comparative condensed balance sheet at December 31, 2006 included in the Current Report on Form 8-K/A (Amendment No.1) filed by Gales Industries Incorporated ("we," "our," "us," "Gales" or the "Company") with the Securities and Exchange Commission on June 8, 2007, relating to our acquisition of all the outstanding capital stock of Sigma Metals, Inc. The line item "Due to Sellers -- Sigma -- Net of Current Portion" under "Long term liabilities" in the amount of \$257,000 was mistakenly placed in the Gales column rather than the column headed "Sigma."

Item 9.01 Financial Statements and Exhibits

Financial Statements.

(b) Unaudited Pro Forma Condensed Consolidated Financial Information and Notes

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to its Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 11, 2007

GALES INDUSTRIES INCORPORATED.

By: /s/ Louis A.Giusto.

Name: Louis A.Giusto.

Title: Vice Chairman and Chief Financial Officer

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial statements and related notes are presented to show the pro forma effects of the acquisition of Sigma Metals, Inc. and the issuance of Series B Convertible Preferred Stock having an initial liquidation value of \$8,023,000. The pro forma condensed consolidated statement of operations for the year ended December 31, 2006 is presented to show income from continuing operations as if the acquisition of Sigma Metals, Inc. and the issuance of the Series B Convertible Preferred Stock had occurred as of the beginning of the period. The pro forma condensed consolidated balance sheet is based on the assumption that the acquisition of Sigma Metals, Inc. and the issuance of the Series B Convertible Preferred Stock had occurred effective December 31, 2006.

Pro forma data are based on assumptions and include adjustments as explained in the notes to the unaudited pro forma condensed consolidated financial statements. The pro forma data are not necessarily indicative of the financial results that would have been attained had the acquisition of Sigma Metals, Inc. and the issuance of the Series B Convertible Preferred Stock

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occurred on the dates referenced above and should not be viewed as indicative of operations in future periods. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the notes thereto, our consolidated financial statements as of and for the year ended December 31, 2006 included in our Annual Report on Form 10-KSB for the year ended December 31, 2006 and the consolidated financial statements as of and for the years ended December 31, 2006 and 2005 of Sigma Metals, Inc. filed here with.

Gales Industries Incorporated Unaudited Pro Forma Consolidated Comparative Condensed Balance Sheet December 31, 2006

| | Gales Industries | Sigma |
|--|----------------------|-------------------|
| | ----- | ----- |
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ -- | \$ 44,7 |
| Accounts Receivable (Net of Allowance for Doubtful Accounts of \$176,458 for Gales and \$25,000 for Sigma@ 12/31/2006) | 3,508,957 | 2,392,9 |
| Inventory | 15,257,641 | 2,812,8 |
| Prepaid Expenses and Other Current Assets | 232,749 | 27,8 |
| Deposits | 180,456 | |
| | ----- | ----- |
| Total Current Assets | 19,179,803 | 5,278,4 |
| Property, Plant, and Equipment, net | 3,565,316 | 131,9 |
| Deferred Financing Costs | 369,048 | |
| Other Assets | 63,522 | 8 |
| Goodwill | 1,265,963 | |
| Deposits | 448,530 | 22,7 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 24,892,182 | \$ 5,434,0 |
| | ===== | ===== |
| Current Liabilities | | |
| Accounts Payable and Accrued Expenses | \$ 7,648,426 | \$ 2,317,6 |
| Notes Payable Current Portion | 127,776 | 33,5 |
| Notes Payable - Revolver | 5,027,463 | 897,8 |
| Notes Payable - Sellers AIM - Current Portion | 192,400 | |
| Capital Lease Obligations - Current Portion | 407,228 | |
| Due to Sellers AIM | 53,694 | |
| Dividends Payable | 120,003 | |
| Deferred Gain on Sale - Current Portion | 38,033 | |
| Income Taxes Payable | 653,426 | |
| | ----- | ----- |
| Total current liabilities | 14,268,449 | 3,248,9 |
| Long term liabilities | | |
| Due to Sellers - Sigma - Net of Current Portion | | 257,0 |
| Notes Payable - Net of Current Portion | 645,458 | |
| Notes Payable - Sellers AIM - Net of Current Portion | 1,290,562 | |
| Notes Payable - Sellers Sigma - Net of Current Portion | -- | |

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| | | |
|--|---------------|------------|
| Capital Lease Obligations - Net of Current Portion | 552,589 | |
| Deferred Tax Liability | 512,937 | |
| Deferred Gain on Sale - Net of Current Portion | 713,118 | |
| Deferred Rent | 39,371 | |
| | ----- | |
| TOTAL LIABILITIES | \$ 18,022,484 | \$ 3,505,9 |
| Series B Convertible Preferred - \$.001 Par value, 2,000,000 Shares Authorized, 802,300 Shares Issued and Outstanding with an initial liquidation value of \$8,023,000 ' (Authorized, Issued and Outstanding for the Proforma December 31, 2006) | \$ -- | \$ |
| Common Stock - \$.001 Par value, 120,055,746 Shares Authorized, 57,269,301 Shares Issued and Outstanding as of December 31, 2006 on a pro forma basis 65,314,694 Shares Issued and Outstanding as of December 31, 2006 | 57,269 | 30,0 |
| Additional Paid-In Capital | 7,898,702 | |
| Additional Paid-In Capital Series B Preferred | | |
| Additional Paid-In Capital: Sigma Shares | | |
| Retained Earnings (Accumulated Deficit) | (1,086,273) | 1,898,0 |
| | ----- | ----- |
| Total Stockholders' Equity | 6,869,698 | 1,928,0 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 24,892,182 | \$ 5,434,0 |
| | ===== | ===== |

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Notes to Unaudited Pro Forma Consolidated Comparative Condensed Balance Sheet

- (a) Represents the net cash from sale of Series B Convertible Preferred Stock remaining after using a portion of the proceeds for the purchase of the stock of Sigma Metals, Inc. and paying soft costs associated with the acquisition.
- (b) Represents the goodwill resulting from the excess of the purchase price paid for the stock of Sigma over the value of the assets acquired less the liabilities assumed.
- (c) Represents the revolving loan facility put in place to pay the amounts due third parties and the former Officers of Sigma for borrowed money.
- (d) Represents the current and long term portions of the notes issued by Gales Industries as part of the purchase price for the stock of Sigma.
- (e) Represents the par value of the shares of Gales Industries Series B Convertible Preferred stock issued, in part, to finance the purchase of the stock of Sigma.
- (f) Represents the elimination of Sigma's Stockholders' Equity (\$30,000) partially offset by the par value (\$8,045) of the 8,045,393 shares issued to the sellers as part of the purchase price for the stock of Sigma.
- (g) Represents the excess of amounts paid by investors over the par value of shares of Gales Industries Series B Convertible Preferred stock net of the soft costs associated with the issuance of such shares.

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- (h) Represents the excess over par value of the fair value of the common stock issued as part of the purchase price for the stock of Sigma.
- (i) Represents the eliminations of Sigma's accumulated surplus.

Gales Industries Incorporated Pro Forma Combined Statement Of Income For the Year Ended December 31, 2006

| | Gales Industries ----- | Sigma ----- |
|---|------------------------------|-----------------------|
| Net Sales | \$ 33,044,996 | \$ 17,979,414 |
| Cost of Sales | 28,002,942 ----- | 12,822,494 ----- |
| Gross Profit | 5,042,054 | 5,156,920 |
| Operating costs and expenses | | |
| Selling and marketing | 601,011 | 923,847 |
| General and administrative | 3,789,587 ----- | 2,218,053 ----- |
| Income (Loss) from operations | 651,456 | 2,015,020 |
| Other (income) and expenses: | | |
| Interest & financing costs | 1,040,108 | 129,490 |
| Gain on Sale of Life Insurance Policy | (53,047) | -- |
| Gain on Sale of Real Estate | (300,037) | -- |
| Other Income | (435,627) | -- |
| Other Expenses | 246,659 ----- | 425 ----- |
| Net Income (Loss) before provision for income taxes | 153,400 | 1,885,105 |
| Provision for income taxes | 489,969 ----- | 767,396 (a) ----- |
| Net Income (Loss) | \$ (336,569) ----- | \$ 1,130,686 ----- |

Pro Forma dividend attributable to preferred stockholders

Pro Forma net earnings attribute to common stockholders

Notes to Pro Forma Combined Statement Of Income

- (a) Represents the pro forma income tax expense for Sigma, as if it were taxable as a "C" not an "S" corp.
- (b) Represents one year's interest expense on \$1,084,213 of notes issued as part of purchase price for Sigma stock, being amortizing monthly with an

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interest rate of 7%.

- (c) Represents the 8% preferred stock dividend for the \$4,349,318 portion of the \$8,023,000 Series B Convertible Preferred Stock used to purchase Sigma.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to its Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 8, 2007

GALES INDUSTRIES INCORPORATED

By: /s/ Peter D. Rettaliata
Name: Peter D. Rettaliata
Title: Chief Executive Officer