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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to certain market risks in the ordinary course of our business, arising primarily from changes in interest rates and to a lesser extent foreign currency exchange rate fluctuations. Generally we do not utilize derivative financial instruments or hedging transactions to manage that risk. Our exposure to interest rate risk and foreign currency risk is discussed in our Annual Report on Form 10-K for the fiscal year ended July 31, 2015. There has been no material change in that information.

ITEM 4. CONTROLS AND PROCEDURES

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. This term refers to the controls and procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Our management, including

our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

As reported in our Annual Report on Form 10-K for the year ended July 31, 2015, management identified material weaknesses in internal controls over financial reporting. The identified material weaknesses resulted from our personnel not having sufficient knowledge, experience and skills to handle both the demands of financial reporting in the fourth quarter of fiscal year 2015 and the added burden of the implementation and stabilization of our new ERP system in that quarter, and also resulted from failures in the control environment and monitoring activities over our operations in France. During the nine months ended April 30, 2016, the Company took the following remedial actions to address the material weaknesses in internal controls over financial reporting:

- The Company hired new team members with significant prior experience with systems like the Company's new ERP system to provide additional capacity, analytical and functional capabilities, and cross-training.
 - The Company implemented business process improvements in its order-to-cash, procurement and inventory processes that enabled a faster month-end close and fewer journal entries for quarter-end.
 - A complete review of the appropriateness of all personnel performing all transactions in the Company's ERP system was performed in each of the first, second and third quarters of fiscal year 2016, and all information system access was determined to have been appropriate. New protocols for ERP access were implemented.
 - Sarbanes-Oxley training sessions were completed for all relevant personnel.
 - Management added Sarbanes-Oxley compliance requirements as part its annual performance review guidelines.
 - Management and internal audit established a Sarbanes-Oxley steering committee to oversee the remediation process.
 - Management obtained positive confirmation from control owners that controls were performed, and continues to monitor the performance of controls on an on-going basis.
 - Management streamlined and simplified its consolidation process enabling greater transparency and reviews.
- Regarding the Company's operations in France, additional actions included the following:

- The Company hired a new Sarbanes-Oxley Coordinator in June 2015 who was fully involved in the financial close process by the end of the first fiscal quarter.
 - The Company established ongoing, regular and frequent communication and education sessions between the Company's corporate controllers and its French accounting leadership team (including multiple on-site visits) relating to the control deficiencies, reporting and disclosure requirements.
 - The Company reemphasized the importance of disclosures and reporting with key members of its senior leadership and European leadership teams.
 - Management received positive confirmation that key controls related to disclosure were performed, and continues to monitor the performance of disclosure controls on an on-going basis.
- Management has made significant progress in remediating the material weaknesses identified at July 31, 2015. Our remediation of the material weaknesses in our internal control over financial reporting is ongoing.

Except for the items identified above, there were no changes to our internal control over financial reporting during the quarterly period covered by this Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 13 to the condensed consolidated financial statements is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors contained in our Annual Report on Form 10-K for the fiscal year ended July 31, 2015, as filed with the SEC.

ITEM 6. EXHIBITS

The financial statements are filed as part of this report in Part 1, Item 1. The following documents are filed as exhibits. Documents marked with an asterisk (*) are management contracts or compensatory plans, and portions of documents marked with a dagger (†) have been granted confidential treatment.

31.1	Certificates under Section 302 the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer.
31.2	Certificates under Section 302 the Sarbanes-Oxley Act of 2002 of the Chief Financial Officer.
32.1	Certificates under Section 906 of the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer.
32.2	Certificates under Section 906 of the Sarbanes-Oxley Act of 2002 of the Chief Financial Officer.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KMG Chemicals, Inc.

By: /s/ Christopher T. Fraser Date: June 9, 2016

Christopher T. Fraser
President and Chief
Executive Officer

By: /s/ Malinda G. Passmore Date: June 9, 2016

Malinda G. Passmore
Chief Financial Officer