

WD 40 CO
Form 10-Q
July 08, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 2011

☐ **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: 000-06936

WD-40 COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction)

95-1797918
(I.R.S. Employer

of incorporation or organization)

Identification No.)

1061 Cudahy Place, San Diego, California
(Address of principal executive offices)

92110
(Zip code)

Registrant's telephone number, including area code: (619) 275-1400

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

Indicate by check mark whether the registrant 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 (§232.405 of this chapter) during the preceding 12 months (or

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for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions 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 ☐

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

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of July 5, 2011 was 16,558,795.

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WD-40 COMPANY

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended May 31, 2011

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****WD-40 COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited and in thousands, except share and per share amounts)**

	May 31, 2011	August 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 70,281	\$ 75,928
Trade accounts receivable, less allowance for doubtful accounts of \$412 and \$299 at May 31, 2011 and August 31, 2010, respectively	52,797	47,846
Inventories	20,667	14,573
Current deferred tax assets, net	4,787	4,747
Assets held for sale	879	
Other current assets	4,038	7,314
 Total current assets	 153,449	 150,408
Property and equipment, net	8,343	9,322
Goodwill	95,484	95,235
Other intangible assets, net	30,549	31,272
Other assets	2,852	2,871
 Total assets	 \$ 290,677	 \$ 289,108
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 21,785	\$ 18,943
Accrued liabilities	15,922	14,382
Current portion of long-term debt	10,715	10,714
Accrued payroll and related expenses	5,677	14,265
Income taxes payable	942	1,516
 Total current liabilities	 55,041	 59,820
Long-term debt		10,715
Long-term deferred tax liabilities, net	19,146	17,414
Deferred and other long-term liabilities	4,759	4,635
 Total liabilities	 78,946	 92,584
 Shareholders' equity:		
Common stock — authorized 36,000,000 shares, \$0.001 par value; 18,833,955 and 18,251,142 shares issued at May 31, 2011 and August 31, 2010, respectively; and 16,739,480 and 16,687,644 shares outstanding at May 31,	19	18

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2011 and August 31, 2010, respectively

Additional paid-in capital	112,669	93,101
Retained earnings	170,304	157,805
Accumulated other comprehensive income (loss)	107	(4,334)
Common stock held in treasury, at cost 2,094,475 and 1,563,498 shares at May 31, 2011 and August 31, 2010, respectively	(71,368)	(50,066)

Total shareholders' equity	211,731	196,524
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Total liabilities and shareholders' equity	\$ 290,677	\$ 289,108
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See accompanying notes to condensed consolidated financial statements.

Table of Contents**WD-40 COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited and in thousands, except per share amounts)**

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2011	2010	2011	2010
Net sales	\$ 85,536	\$ 82,561	\$ 245,669	\$ 240,835
Cost of products sold	43,397	40,306	121,262	116,434
Gross profit	42,139	42,255	124,407	124,401
Operating expenses:				
Selling, general and administrative	22,588	23,348	65,866	63,231
Advertising and sales promotion	7,121	5,685	18,565	16,237
Amortization of definite-lived intangible assets	587	178	950	548
Total operating expenses	30,296	29,211	85,381	80,016
Income from operations	11,843	13,044	39,026	44,385
Other income (expense):				
Interest income	59	49	167	124
Interest expense	(277)	(402)	(818)	(1,327)
Other income, net	119	42	197	120
Income before income taxes	11,744	12,733	38,572	43,302
Provision for income taxes	3,684	3,616	12,325	14,095
Net income	\$ 8,060	\$ 9,117	\$ 26,247	\$ 29,207
Earnings per common share:				
Basic	\$ 0.48	\$ 0.55	\$ 1.55	\$ 1.76
Diluted	\$ 0.47	\$ 0.54	\$ 1.53	\$ 1.74
Shares used in per share calculations:				
Basic	16,851	16,613	16,880	16,585
Diluted	17,027	16,752	17,063	16,697
Dividends declared per common share	\$ 0.27	\$ 0.25	\$ 0.81	\$ 0.75

See accompanying notes to condensed consolidated financial statements.

Table of Contents**WD-40 COMPANY****CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME**

(Unaudited and in thousands, except share and per share amounts)

	Common Stock		Additional	Retained	Accumulated	Treasury Stock		Total	Total
	Shares	Amount	Paid-In	Earnings	Other	Shares	Amount	Shareholders	Comprehensive
			Capital		Loss			Equity	Income
Balance at August 31, 2010	18,251,142	\$ 18	\$ 93,101	\$ 157,805	\$ (4,334)	1,563,498	\$ (50,066)	\$ 196,524	
Issuance of common stock upon exercises of stock options and conversions of restricted stock units to common shares	582,813	1	15,827					15,828	
Stock-based compensation			2,671					2,671	
Tax benefit from exercises of stock options and conversions of restricted stock units to common shares			1,070					1,070	
Cash dividends (\$0.81 per share)				(13,748)				(13,748)	
Acquisition of treasury stock						530,977	(21,302)	(21,302)	
Foreign currency translation adjustment, net of tax provision of \$72					4,441			4,441	\$ 4,441
Net income				26,247				26,247	26,247
Balance at May 31, 2011	18,833,955	\$ 19	\$ 112,669	\$ 170,304	\$ 107	2,094,475	\$ (71,368)	\$ 211,731	\$ 30,688

See accompanying notes to condensed consolidated financial statements.

Table of Contents**WD-40 COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited and in thousands)**

	Nine Months Ended May 31, 2011	2010
Operating activities:		
Net income	\$ 26,247	\$ 29,207
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,130	3,279
Net losses (gains) on sales and disposals of property and equipment	147	(57)
Deferred income taxes	466	1,087
Excess tax benefits from exercises of stock options and conversions of restricted stock units to common shares	(924)	(165)
Stock-based compensation	2,671	2,275
Unrealized foreign currency exchange losses, net	218	1,037
Provision for bad debts	108	59
Changes in assets and liabilities:		
Trade accounts receivable	(3,822)	(4,115)
Inventories	(5,627)	271
Other assets	3,289	459
Accounts payable and accrued expenses and liabilities	(6,068)	6,963
Income taxes payable	1,635	(1,505)
Deferred and other long-term liabilities	103	(45)
 Net cash provided by operating activities	 21,573	 38,750
Investing activities:		
Purchases of property and equipment	(2,004)	(1,326)
Proceeds from sales of property and equipment	127	192
 Net cash used in investing activities	 (1,877)	 (1,134)
Financing activities:		
Repayments of long-term debt	(10,714)	(10,714)
Dividends paid	(13,748)	(12,476)
Proceeds from issuance of common stock	16,518	2,561
Treasury stock purchases	(21,302)	
Excess tax benefits from exercises of stock options and conversions of restricted stock units to common shares	924	165
 Net cash used in financing activities	 (28,322)	 (20,464)
 Effect of exchange rate changes on cash and cash equivalents	 2,979	 (3,967)
 Net (decrease) increase in cash and cash equivalents	 (5,647)	 13,185
Cash and cash equivalents at beginning of period	75,928	45,956

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Cash and cash equivalents at end of period	\$ 70,281	\$ 59,141
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See accompanying notes to condensed consolidated financial statements.

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WD-40 COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. The Company

WD-40 Company (the Company), based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of doer and on-the-job users by leveraging and building the brand fortress of the Company. The Company markets three multi-purpose maintenance product brands, WD-40®, 3-IN-ONE® Oil and BLUE WORKS®. Blue Works, which is targeted at the industrial channel, is the newest of these product brands. The Company launched Blue Works in the U.S. in the second quarter of fiscal year 2010 and in select markets in Europe starting in November 2010. The Company also markets the following homecare and cleaning product brands: X-14® mildew stain remover and automatic toilet bowl cleaners, 2000 Flushes® automatic toilet bowl cleaners, Carpet Fresh® and No Vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain removers, 1001® household cleaners and rug and room deodorizers and Lava® and Solvol® heavy-duty hand cleaners.

The Company's brands are sold in various locations around the world. Multi-purpose maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the U.K., Australia and the Pacific Rim. The Company's products are sold primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. The August 31, 2010 year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the 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. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

In the opinion of management, the unaudited financial information for the interim periods shown reflects all adjustments necessary for a fair presentation thereof. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2010, which was filed with the SEC on October 18, 2010.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)*****Sales Concentration***

Wal-Mart Stores, Inc. is a significant U.S. and global mass retail customer and offers a variety of the Company's products. Sales to U.S. Wal-Mart stores and its affiliates worldwide accounted for approximately 7 percent and 6 percent of the Company's consolidated net sales for the three months ended May 31, 2011 and 2010, respectively, and approximately 7 percent and 9 percent of the Company's consolidated net sales for the nine months ended May 31, 2011 and 2010, respectively. Accounts receivable from Wal-Mart stores and its affiliates accounted for 5 percent and 9 percent of the Company's consolidated accounts receivable balances at May 31, 2011 and August 31, 2010, respectively.

Foreign Currency Forward Contracts

In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency exchange rates. The Company's U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure in converting cash and intercompany accounts receivable balances denominated in non-functional currencies. The principal currency affected is the Euro. The Company regularly monitors its foreign currency exchange rate exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Foreign currency forward contracts are accounted for on a mark-to-market basis, with net realized and unrealized gains and losses recognized currently in other income (expense) in the Company's condensed consolidated statements of operations. Cash flows from settlements of foreign currency forward contracts are included in operating activities in the condensed consolidated statements of cash flows. Foreign currency forward contracts in a net asset position at the end of the reporting period are included in other current assets, while foreign currency forward contracts in a net liability position at the end of the reporting period are included in accrued liabilities in the Company's condensed consolidated balance sheets.

The Company continually monitors its positions with, and the credit quality of, the financial institution that is counterparty to its foreign currency forward contracts, and has not experienced nonperformance by this counterparty. As a matter of policy, the Company does not purchase foreign currency forward contracts that exceed the amount of its cash and intercompany accounts receivable balances denominated in non-functional currencies. At May 31, 2011, the Company had \$12.3 million of foreign currency forward contracts outstanding which mature from June 2011 through September 2011. Unrealized net gains related to foreign currency forward contracts were not material at May 31, 2011 and August 31, 2010. Realized net losses related to foreign currency forward contracts were \$0.2 million and \$0.5 million for the three and nine months ended May 31, 2011, respectively. Realized net gains and losses related to foreign currency forward contracts were not material for each of the three and nine month periods ended May 31, 2010.

Long-lived Assets

The Company's long-lived assets consist of property and equipment and definite-lived intangible assets, which include trade names and non-contractual customer relationships. Long-lived assets are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Any required impairment loss would be measured as the amount by which the asset's carrying amount exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing market participants and would be recorded as a reduction in the carrying amount of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset.

Although the Company has been working with an agent over the last several quarters to lease a warehouse facility that it currently owns in Memphis, Tennessee, it has not been successful in doing so to date. As a result, during the third quarter of fiscal year 2011, the Company decided to approve and start executing upon a plan to sell this

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facility. The Company classifies assets as held for sale when they meet the criteria set forth in the authoritative guidance on property, plant and equipment. Based on the approval of the plan to sell this facility in May 2011, this property met the held for sale classification criteria and the Company reclassified this property from held and used to held for sale. As of May 31, 2011, this property was included in the assets held for sale at the lower of its carrying value or fair value less the costs to sell in the Company's condensed consolidated balance sheets.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. The Company recognizes accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

U.S. federal income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. U.S. federal income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely based on the capital needs of the foreign subsidiaries and reassesses this determination each reporting period. Changes to the Company's determination may be warranted based on the Company's experience as well as plans regarding future international operations and expected remittances.

Earnings per Common Share

The Company calculates earnings per common share (EPS) using the two-class method, which provides for an allocation of net income between common stock and other participating securities based on their respective participation rights to share in dividends. Basic EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Net income available to common shareholders for the period includes dividends paid to common shareholders during the period plus a proportionate share of undistributed net income allocable to common shareholders for the period; the proportionate share of undistributed net income allocable to common shareholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period.

Diluted EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period increased by the weighted-average number of potentially dilutive common shares (dilutive securities) that were outstanding during the period if the effect is dilutive. Dilutive securities are comprised of stock options, restricted stock units and performance share units granted under the Company's prior stock option plan and current equity incentive plan.

Recently Issued Accounting Standards

In June 2011, the Financial Accounting Standards Board (FASB) issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies will have the option to present other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Under both alternatives, companies will be required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In the single continuous statement approach, the guidance requires the entity to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the income statement will be followed immediately by the statement of other comprehensive income, which will include the amount for total comprehensive income. This updated authoritative guidance is effective for fiscal years, and interim periods.

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within those years, beginning after December 15, 2011. The Company expects the adoption of this updated authoritative guidance to have an impact on its consolidated financial statement disclosures.

In May 2011, the FASB issued updated authoritative guidance to amend the fair value measurements and related disclosures. This guidance relates to a major convergence project of the FASB and the International Accounting Standards Board (IASB) to improve International Financial Reporting Standards (IFRS) and U.S. GAAP. This new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between IFRS and U.S. GAAP. The new guidance also changes some fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The amendments are effective for interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of this updated authoritative guidance to have a material impact on its consolidated financial statement disclosures.

In December 2010, the FASB issued updated authoritative guidance related to when to perform step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. Per this updated authoritative guidance, when a reporting unit has a zero or negative carrying amount, Step 2 of the goodwill impairment test will be performed if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors to be considered are consistent with the current interim impairment triggers for goodwill. Upon adoption, an entity will perform Step 2 of the goodwill impairment test if it is more likely than not that goodwill is impaired. Furthermore, any impairment identified at the time of adoption will be recognized as a cumulative effect adjustment to beginning retained earnings. The Company is required to apply these new requirements in its fiscal year beginning after December 15, 2010. The Company has evaluated this updated authoritative guidance, and it does not expect it to have a material impact on its consolidated financial statements.

In July 2010, the FASB issued updated authoritative guidance related to financing receivables which enhances the disclosure requirements about the credit quality and related allowance for credit losses of financing receivables. This updated authoritative guidance is effective for interim and annual reporting periods ending on or after December 15, 2010. The Company has evaluated this updated authoritative guidance, and it does not expect it to impact its consolidated financial statement disclosures.

In January 2010, the FASB issued updated authoritative guidance related to fair value measurements which requires certain new disclosures related to activities in Level 3 fair value measurements, including purchases, sales, issuances and settlements. This updated authoritative guidance is effective for annual periods beginning after December 15, 2010. The Company does not expect the adoption of this updated authoritative guidance to have a material impact on its consolidated financial statement disclosures.

Note 3. Fair Value Measurements***Financial Assets and Liabilities***

The Company categorizes its financial assets and liabilities measured at fair value into a hierarchy that categorizes fair value measurements into the following three levels based on the types of inputs used in measuring their fair value:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data; and

Level 3: Unobservable inputs reflecting the Company's own assumptions.

Financial assets measured at fair value on a recurring basis are summarized below (in thousands):

		May 31, 2011		
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 7,481	\$	\$ 7,481	\$

		August 31, 2010		
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 24,362	\$	\$ 24,362	\$

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Money market funds are highly liquid investments classified as cash equivalents in the Company's condensed consolidated balance sheets at May 31, 2011 and August 31, 2010. These securities are valued based on third party quotations of similar assets in active markets, and are thus classified as Level 2 within the fair value hierarchy.

There were no transfers between Level 1 and Level 2 fair value measurements during the nine months ended May 31, 2011.

The carrying values of trade accounts receivable and accounts payable approximate their fair values due to their short-term maturities. The estimated fair value of long-term debt, including current maturities, was \$11.0 million and \$22.4 million at May 31, 2011 and August 31, 2010, respectively, based on discounted future cash flows using current market interest rates.

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be impaired. There were no nonfinancial assets and liabilities deemed to be impaired and measured at fair value on a nonrecurring basis as of May 31, 2011 and August 31, 2010.

Note 4. Inventories

Inventories consisted of the following (in thousands):

	May 31, 2011	August 31, 2010
Product held at contract packagers	\$ 1,652	\$ 1,536
Raw materials and components	2,473	1,811
Work-in-process	571	979
Finished goods	15,971	10,247
Total	\$ 20,667	\$ 14,573

Note 5. Property and Equipment

Property and equipment, net, consisted of the following (in thousands):

	May 31, 2011	August 31, 2010
Machinery, equipment and vehicles	\$ 13,340	\$ 12,162
Buildings and improvements	3,383	4,416
Computer and office equipment	3,524	3,075
Software	4,239	4,011
Furniture and fixtures	1,140	1,092
Land	294	542
Subtotal	25,920	25,298
Less: accumulated depreciation and amortization	(17,577)	(15,976)
Total	\$ 8,343	\$ 9,322

Note 6. Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets acquired. Other intangible assets, including both indefinite-lived intangible assets and definite-lived intangible assets, consist

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

of trade names and non-contractual customer relationships. The carrying values of goodwill and indefinite-lived intangible assets are reviewed for possible impairment annually during the Company's second fiscal quarter.

In addition to the annual impairment tests, goodwill and indefinite-lived intangible assets are evaluated each reporting period. Goodwill is evaluated each reporting period to determine whether events and circumstances would more likely than not reduce the fair value of a reporting unit below its carrying value. Indefinite-lived intangible assets are evaluated each reporting period to determine whether events and circumstances continue to support an indefinite useful life and to determine whether any indicators of impairment exist. Indicators such as underperformance relative to historical or projected future operating results, changes in the Company's strategy for its overall business or use of acquired assets, unexpected negative industry or economic trends, decline in the Company's stock price for a sustained period, decreased market capitalization relative to net book values, unanticipated technological change or competitive activities, loss of key distribution, change in consumer demand, loss of key personnel and acts by governments and courts may signal that an asset has become impaired.

Definite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives and are evaluated each reporting period to determine whether events and circumstances indicate that their carrying amounts may not be recoverable and/or their remaining useful lives may no longer be appropriate.

During the quarter ended February 28, 2011, the Company performed its annual impairment test of goodwill. The annual goodwill impairment test was performed at the reporting unit level as required by the authoritative guidance on intangibles, goodwill and other. This annual test follows a two-step process and is conducted by applying fair value concepts. Only the first step of the annual goodwill impairment test was required as the fair values of all reporting units significantly exceeded their carrying values. In performing the annual impairment test of its goodwill, the Company considered the fair value concepts of a market participant and the highest and best use for the asset. Based on the results of the annual goodwill impairment test, the Company determined that its goodwill was not impaired since the fair value of each reporting unit exceeded its carrying value by more than 10% as of February 28, 2011.

During the second quarter of fiscal year 2011, the Company conducted the annual impairment test for its indefinite-lived intangible assets, which included the 2000 Flushes, Spot Shot and 1001 trade names. In performing the annual impairment test of these indefinite-lived intangible assets, the Company considered the fair value concepts of a market participant and the highest and best use for the intangible assets. All three of these trade names generate their own revenue streams and the revenues for each are in no way dependent on the revenue streams of any of the other trade names. Based on the results of this annual impairment test, the Company determined that none of these intangible assets were impaired as of February 28, 2011. Although no impairment was identified during this annual impairment test, the amount by which the fair values exceeded the carrying values for two of the three trade names decreased from the fiscal year 2010 annual impairment test. This is due to the manner in which the Company plans to manage these trade names in future periods, the decreased sales for these trade names in recent periods and the lower level of forecasted sales for these trade names in future periods.

In conjunction with the annual impairment test that was conducted in the second quarter of fiscal year 2011, the Company also performed an evaluation of its indefinite-lived intangible assets to determine whether an indefinite life for each trade name was still warranted as of February 28, 2011. As a result of this evaluation, the Company determined that events and circumstance had occurred during the second quarter of fiscal year 2011 which indicated that the 2000 Flushes, Spot Shot and 1001 trade names should no longer be considered to have indefinite lives. These events and circumstances included the following, all of which indicate that these three trade names are definite-lived:

The Company's strategic decision to divert research and development resources from its 2000 Flushes, Spot Shot and 1001 trade names so that the Company can focus more specifically and continue to gain momentum on the development and extension of its multi-purpose maintenance products;

The tactical manner in which management intends to manage all three trade names in future periods;

Lost distribution within certain channels for these trade names, which the Company may or may not be able to recover in future periods;

The recent increased variability of promotional activities with certain of the Company's key customers for these trade names, which the Company may or may not be able to reverse in future periods; and

A lower level of forecasted sales for each of these trade names as a result of decreased sales for each in recent periods and the manner in which management intends to manage these trade names in future periods.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

As a result of the aforementioned events and circumstances, the Company determined that it was appropriate to change the 2000 Flushes, Spot Shot and 1001 trade names from indefinite-lived to definite-lived intangible assets effective February 28, 2011.

The Company determined the estimated remaining economic lives of the 2000 Flushes, Spot Shot and 1001 trade names based on future forecasted cash flows for these trade names, as well as the consideration of various other factors. These factors included the strength of each trade name and their respective market share within the category in which each operates, the stability of the household cleaning products industry, the fact that these trade names have been in existence for a long period of time and are expected to remain in existence for a significant number of years in the future and the fact that no legal, regulatory, or contractual conditions currently exist that would limit their remaining useful lives. After taking all of these factors into consideration, the Company concluded that the 1001 trade name will generate future cash flows for at least the next twenty years and the 2000 Flushes and Spot Shot trade names will generate future cash flows for at least the next seventeen years. As a result, these are the periods over which each trade name will be amortized on a straight-line basis beginning on March 1, 2011. In periods beginning after February 28, 2011, total amortization expense of approximately \$0.4 million quarterly or \$1.6 million annually will be recorded associated with these three trade names.

In addition, there were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill or intangible assets for the quarter ended May 31, 2011.

Goodwill

Changes in the carrying amounts of goodwill by segment for the nine months ended May 31, 2011 are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2010	\$ 85,546	\$ 8,479	\$ 1,210	\$ 95,235
Translation adjustments	36	212	1	249
Balance as of May 31, 2011	\$ 85,582	\$ 8,691	\$ 1,211	\$ 95,484

To date, there have been no impairment losses identified and recorded related to the Company's goodwill.

Indefinite-lived Intangible Assets

Prior to February 28, 2011, indefinite-lived intangible assets, which were not being amortized, consisted of the 2000 Flushes, Spot Shot and 1001 trade names and were included in other intangible assets, net in the Company's condensed consolidated balance sheets. At February 28, 2011, the Company changed the classification of all three trade names from indefinite-lived to definite-lived. As a result, the Company no longer has indefinite-lived intangible assets as of February 28, 2011. Changes in the carrying amounts of indefinite-lived intangible assets by segment for the nine months ended May 31, 2011 are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2010	\$ 24,500	\$ 3,149	\$	\$ 27,649
Translation adjustments		124		124
Trade names changed from indefinite-lived to definite-lived at February 28, 2011	(24,500)	(3,273)		(27,773)
Balance as of May 31, 2011	\$	\$	\$	\$

Definite-lived Intangible Assets

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Prior to February 28, 2011, the Company's definite-lived intangible assets consisted of the Carpet Fresh and X-14 trade names and certain non-contractual customer relationships from the acquisition of the 1001 line of products in fiscal year 2004. The Carpet Fresh and X-14 trade names are being amortized on a straight-line basis over their estimated useful lives of thirteen and eight years, respectively. The non-contractual customer relationships intangible asset is being amortized on a straight-line basis over its estimated useful life of eight years. At February 28, 2011, the Company changed the classification of its 2000 Flushes, Spot Shot and 1001 trade names from indefinite-lived

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

to definite-lived. Thus, beginning on March 1, 2011, the 1001 trade name is being amortized on a straight-line basis over its estimated useful life of twenty years, and the 2000 Flushes and Spot Shot trade names are being amortized over their estimated useful lives of seventeen years. The Company's definite-lived intangible assets are included in other intangible assets, net in the Company's condensed consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	May 31, 2011	August 31, 2010
Gross carrying amount	\$ 7,071	\$ 6,842
Accumulated amortization	(4,367)	(3,219)
Translation adjustments	72	
Trade names changed from indefinite-lived to definite-lived at February 28, 2011	27,773	
Net carrying amount	\$ 30,549	\$ 3,623

Changes in the carrying amounts of definite-lived intangible assets by segment for the nine months ended May 31, 2011 are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2010	\$ 2,892	\$ 731	\$	\$ 3,623
Amortization expense	(596)	(354)		(950)
Translation adjustments	42	61		103
Trade names changed from indefinite-lived to definite-lived at February 28, 2011	24,500	3,273		27,773
Balance as of May 31, 2011	\$ 26,838	\$ 3,711	\$	\$ 30,549

The estimated future amortization expense for the non-contractual customer relationships and 1001 trade name intangible assets are based on current foreign currency exchange rates, and amounts in future periods may differ from those presented due to fluctuations in those rates. The estimated amortization expense for the Company's trade names and non-contractual customer relationships intangible assets in future fiscal years is as follows (in thousands):

	Trade Names	Non-Contractual Customer Relationships	Total
Remainder of fiscal year 2011	\$ 466	\$ 122	\$ 588
Fiscal year 2012	1,867	286	2,153
Fiscal year 2013	1,867		1,867
Fiscal year 2014	1,867		1,867
Fiscal year 2015	1,867		1,867
Thereafter	22,207		22,207
Total	\$ 30,141	\$ 408	\$ 30,549

Note 7. Accrued and Other Liabilities

Accrued liabilities consisted of the following (in thousands):

	May 31, 2011	August 31, 2010
Accrued advertising and sales promotion expenses	\$ 9,493	\$ 8,940
Accrued professional services fees	1,319	1,160
Accrued sales taxes	936	797
Accrued other taxes	754	914
Other	3,420	2,571
Total	\$ 15,922	\$ 14,382

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Accrued payroll and related expenses consisted of the following (in thousands):

	May 31, 2011	August 31, 2010
Accrued bonuses	\$ 1,617	\$ 8,333
Accrued payroll	1,765	2,020
Accrued profit sharing	1,062	2,051
Accrued payroll taxes	826	1,388
Other	407	473
Total	\$ 5,677	\$ 14,265

Deferred and other long-term liabilities consisted of the following (in thousands):

	May 31, 2011	August 31, 2010
Supplemental employee retirement plan benefits liability	\$ 746	\$ 705
Other income taxes payable	3,846	3,846
Other	167	84
Total	\$ 4,759	\$ 4,635

Note 8. Share Repurchase Plan

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which is in effect through December 13, 2011. Under the plan, the Company is authorized to acquire up to \$25.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital and in compliance with all laws and regulations applicable thereto.

On April 4, 2011, the Company's Board of Directors approved an increase to the existing \$25.0 million share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares and to extend the expiration date of the plan to April 4, 2013. As a result, the Company is authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date, subject to the same approval and compliance requirements as described above. During the period from December 14, 2010 through May 31, 2011, the Company repurchased 530,977 shares at a total cost of \$21.3 million.

Note 9. Earnings per Common Share

The table below reconciles net income to net income available to common shareholders (in thousands):

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2011	2010	2011	2010
Net income	\$ 8,060	\$ 9,117	\$ 26,247	\$ 29,207
Less: Net income allocated to participating securities	(29)	(32)	(93)	(95)

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Net income available to common shareholders	\$	8,031	\$	9,085	\$	26,154	\$	29,112
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The table below summarizes the weighted-average number of common shares outstanding included in the calculation of basic and diluted EPS (in thousands):

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2011	2010	2011	2010
Weighted-average common shares outstanding, basic	16,851	16,613	16,880	16,585
Weighted-average dilutive securities	176	139	183	112
Weighted-average common shares outstanding, diluted	17,027	16,752	17,063	16,697

For the three and nine months ended May 31, 2011, there were no anti-dilutive stock options outstanding. For the three and nine months ended May 31, 2010, weighted-average stock options outstanding to purchase 585,663 and

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

608,500 shares, respectively, of the Company's common stock were excluded from the weighted-average number of common shares and potential common shares outstanding used in the calculation of diluted EPS as the effect of including them would be anti-dilutive because the stock options had an exercise price greater than or equal to the average market value of the Company's common stock during the period.

Note 10. Commitments and Contingencies

Purchase Commitments

The Company has relationships with various suppliers (contract manufacturers) who manufacture the Company's products. Although the Company typically does not have definitive minimum purchase obligations included in the contract terms with its contract manufacturers, when such obligations have been included, they have been immaterial to date. Supply needs are communicated by the Company to its contract manufacturers and the Company is committed to purchase the products produced based on orders and short-term projections, ranging from two to five months, provided to the contract manufacturers. The Company is also obligated to purchase obsolete or slow-moving inventory from its contract manufacturers and has done so in the past under these commitments, the amounts of which have been immaterial.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of May 31, 2011, no such commitments were outstanding.

Litigation

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business. Management is of the opinion that none of these matters is likely to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

On October 3, 2010, a legal action was filed against the Company in the United States Federal Court for the Eastern District of Texas (*Promote Innovation, LLC v. WD-40 Company*). The complaint is a *qui tam* action brought by the plaintiff on behalf of the United States of America for alleged violation of Section 292 of the Patent Act (Title 35 U.S. Code, Section 292) for false patent marking. The complaint alleges that the Company included reference to an expired patent on certain product packaging, specifically including 2000 Flushes brand products, with an intent to deceive the public. The complaint seeks to recover a civil monetary fine of \$500 per false marking offense, or an alternative amount determined by the court, one-half of which is to be paid to the United States. Based on information known to the Company as of May 31, 2011, the Company concluded that its exposure to material loss from this action was remote. See Note 13 Subsequent Events for information on recent developments on this claim.

On June 18, 2010, a legal action, entitled *Andrea Burns v. WD-40 Company*, was filed against the Company in the Superior Court of California for the County of Orange (*Burns*). The complaint seeks class action status and alleges that the Company misrepresented that its 2000 Flushes Bleach and 2000 Flushes Blue Plus Bleach automatic toilet bowl cleaners (ATBCs) are safe for plumbing systems and unlawfully omitted to advise consumers regarding the allegedly damaging effect the use of the ATBCs has on toilet parts made of plastic and rubber. The plaintiff seeks damages and/or restitution, an injunction and other relief, including punitive damages, attorneys fees and costs.

The *Burns* action is substantively similar to three previous legal proceedings filed against the Company since 2002. Each of the prior actions was dismissed, including the most recent proceeding, *Drimmer v. WD-40 Company* (*Drimmer*), a case filed by the same plaintiff law firm in April 2006 in the United States District Court, Southern District of California. In August 2008, the Company defeated the *Drimmer* plaintiff's motion for class certification, a decision that was upheld by the Ninth Circuit Court of Appeals in September 2009. The *Drimmer* action was subsequently dismissed with prejudice in March 2010.

In the *Burns* action, the parties have conducted limited discovery, including the Company's deposition of the plaintiff in March 2011 to determine the facts upon which the plaintiff bases its individual claims and suitability as a proposed class representative. Based on information known to the Company at this time, the Company has concluded that its exposure to material loss in *Burns* is remote.

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Since 2004, the Company has been named as a defendant in lawsuits brought by a group of attorneys on behalf of individual plaintiffs who assert that exposure to products that allegedly contain benzene is a cause of certain cancers (the Benzene Lawsuits). The Company is one of many defendants in these legal proceedings whose products are alleged to contain benzene. However, the Company specifies that its suppliers provide constituent ingredients free of benzene. The Company believes its products have always been formulated without containing benzene and that the facts developed in litigation to date support this position. The plaintiffs in the Benzene Lawsuits typically seek damages in unspecified amounts for injuries or death attributable to a form of cancer linked to exposure to benzene. The Company is unable to quantify the total amount of damages asserted by the plaintiffs in the Benzene Lawsuits. Except for self-insured retention amounts applicable to each separately filed lawsuit, the Company expects that the Benzene Lawsuits will be adequately covered by insurance and will not have a material impact on the Company's consolidated financial position or results of operations. The Company is vigorously defending these lawsuits and continues to obtain dismissals reducing the number of pending actions. Based on information known to the Company at this time, the Company has concluded that its exposure to material loss from the Benzene Lawsuits is remote.

Indemnifications

As permitted under Delaware law, the Company has agreements whereby it indemnifies senior officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company maintains Director and Officer insurance coverage that mitigates the Company's exposure with respect to such obligations. As a result of the Company's insurance coverage, management believes that the estimated fair value of these indemnification agreements is minimal. Thus, no liabilities have been recorded for these agreements as of May 31, 2011.

From time to time, the Company enters into indemnification agreements with certain contractual parties in the ordinary course of business, including agreements with lenders, lessors, contract manufacturers, marketing distributors, customers and certain vendors. All such indemnification agreements are entered into in the context of the particular agreements and are provided in an attempt to properly allocate risk of loss in connection with the consummation of the underlying contractual arrangements. Although the maximum amount of future payments that the Company could be required to make under these indemnification agreements is unlimited, management believes that the Company maintains adequate levels of insurance coverage to protect the Company with respect to most potential claims arising from such agreements and that such agreements do not otherwise have value separate and apart from the liabilities incurred in the ordinary course of the Company's business. Thus, no liabilities have been recorded with respect to such indemnification agreements as of May 31, 2011.

Note 11. Income Taxes

The Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The provision for income taxes was 31.4% and 28.4% of income before income taxes for the three months ended May 31, 2011 and 2010, respectively. The increase in the effective tax rate for the three months ended May 31, 2011 as compared to the corresponding period of the prior fiscal year was attributable to the addition of an uncertain tax liability of \$0.3 million during the quarter associated with foreign operations.

The provision for income taxes was 32.0% and 32.6% of income before income taxes for the nine months ended May 31, 2011 and 2010, respectively. The effective tax rate decreased period over period primarily due to benefits from both an increase in the percentage of the domestic production deduction; an increasingly favorable mix of foreign earnings taxed at lower rates; as well as the release of liabilities associated with unrecognized tax benefits that resulted from the expiration of certain statutes due to the closing of certain tax years. These benefits were significantly offset by the addition during the third quarter of an uncertain tax liability of \$0.3 million associated with foreign operations.

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The total amount of unrecognized tax benefits was \$3.5 million as of May 31, 2011 and \$3.6 million as of August 31, 2010, of which \$1.0 million and \$1.1 million, respectively, would impact the effective tax rate if recognized. The gross liability for income taxes related to unrecognized tax benefits is included in other long-term liabilities in the Company's condensed consolidated balance sheets.

During the nine months ended May 31, 2011, the Company recorded liabilities related to unrecognized tax benefits of \$0.5 million and recognized tax benefits of \$0.5 million, of which \$0.4 million is primarily due to expiring state statutes. The result was no net tax benefit or liability.

The total balance of accrued interest and penalties related to uncertain tax positions was \$0.3 million and \$0.2 million as of May 31, 2011 and August 31, 2010, respectively. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. There were no material interest or penalties included in income tax expense for each of the three and nine month periods ended May 31, 2011 and 2010. During the three months ended May 31, 2011, the Company recognized tax benefits of \$0.3 million primarily due to expiring state statutes.

The Company is subject to taxation in the U.S. and in various state and foreign jurisdictions. Due to expired statutes, the Company's federal income tax returns for years prior to fiscal year 2007 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state and foreign jurisdictions where the Company does business, periods prior to fiscal year 2006 are no longer subject to examination. The Company is currently under audit in various state and local jurisdictions for fiscal years 2005 through 2007. The Company has estimated that up to \$0.5 million of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

Note 12. Business Segments and Foreign Operations

The Company evaluates the performance of its segments and allocates resources to them based on sales, operating income and expected return. The Company is organized based on geographic location. Segment data does not include inter-segment revenues and incorporates corporate expenses into the Americas segment, with the exception of certain research and development expenses which the Europe segment started to incur during the current fiscal year. All such corporate expenses are not allocated to other segments because the Company's segments are run independently. As a result, there are few costs that could be considered only corporate expenses that would qualify for allocation to other segments. The most significant portion of corporate expenses relates to the Americas segment both as a percentage of time and sales. Therefore, any allocation to other segments would be arbitrary.

The tables below present information about reportable segments and net sales by product line (in thousands):

As of and for the Three Months Ended May 31:

	Americas	Europe	Asia-Pacific	Total
2011				
Net sales	\$ 46,223	\$ 28,139	\$ 11,174	\$ 85,536
Income from operations ⁽¹⁾	\$ 5,607	\$ 4,925	\$ 1,311	\$ 11,843
Depreciation and amortization expense	\$ 858	\$ 374	\$ 54	\$ 1,286
Interest income	\$ 1	\$ 29	\$ 29	\$ 59
Interest expense	\$ 274	\$	\$ 3	\$ 277
Total assets	\$ 172,419	\$ 105,910	\$ 12,348	\$ 290,677
2010				
Net sales	\$ 46,464	\$ 27,000	\$ 9,097	\$ 82,561
Income from operations ⁽¹⁾	\$ 6,151	\$ 5,451	\$ 1,442	\$ 13,044
Depreciation and amortization expense	\$ 754	\$ 301	\$ 38	\$ 1,093
Interest income	\$	\$ 30	\$ 19	\$ 49

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Interest expense	\$ 399	\$	\$ 3	\$ 402
Total assets	\$ 187,462	\$ 75,823	\$ 9,312	\$ 272,597

- (1) Income from operations for the Americas segment included corporate expenses of \$5.1 million and \$4.4 million for the three months ended May 31, 2011 and 2010, respectively. Income from operations for the Europe segment included research and development expenses of \$0.2 million for the three months ended May 31, 2011.

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	Americas	Europe	Asia-Pacific	Total
2011				
Net sales	\$ 123,524	\$ 90,653	\$ 31,492	\$ 245,669
Income from operations ⁽²⁾	\$ 14,249	\$ 19,171	\$ 5,606	\$ 39,026
Depreciation and amortization expense	\$ 1,984	\$ 997	\$ 149	\$ 3,130
Interest income	\$ 8	\$ 79	\$ 80	\$ 167
Interest expense	\$ 810		\$ 8	\$ 818
Total assets	\$ 172,419	\$ 105,910	\$ 12,348	\$ 290,677
2010				
Net sales	\$ 134,360	\$ 82,881	\$ 23,594	\$ 240,835
Income from operations ⁽²⁾	\$ 21,037	\$ 19,186	\$ 4,162	\$ 44,385
Depreciation and amortization expense	\$ 2,231	\$ 932	\$ 116	\$ 3,279
Interest income	\$	\$ 79	\$ 45	\$ 124
Interest expense	\$ 1,320		\$ 7	\$ 1,327
Total assets	\$ 187,462	\$ 75,823	\$ 9,312	\$ 272,597

- (2) Income from operations for the Americas segment included corporate expenses of \$14.9 million and \$13.0 million for the nine months ended May 31, 2011 and 2010, respectively. Income from operations for the Europe segment included research and development expenses of \$0.6 million for the nine months ended May 31, 2011.

Net Sales by Product Line:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2011	2010	2011	2010
Multi-purpose maintenance products	\$ 72,664	\$ 67,928	\$ 204,636	\$ 194,243
Homecare and cleaning products	12,872	14,633	41,033	46,592
Total	\$ 85,536	\$ 82,561	\$ 245,669	\$ 240,835

Note 13. Subsequent Events

On June 21, 2011, the Company's Board of Directors declared a cash dividend of \$0.27 per share payable on July 29, 2011 to shareholders of record on July 15, 2011.

On June 17, 2011, the Company entered into an unsecured Credit Agreement (the "Agreement") with Bank of America, N.A. ("Bank of America"). The Agreement consists of a \$75.0 million three-year revolving credit facility (the "Credit Facility"), which was undrawn at closing. The proceeds of the Credit Facility will be used to support the continued growth of the business, the Company's share repurchase activities and other general business needs. This Credit Facility replaces the Company's existing \$10.0 million unsecured revolving credit facility that was executed in September 2008 with Union Bank, N.A., and as a result, the \$10.0 million revolving credit facility, which was undrawn, was terminated effective June 17, 2011.

On June 6, 2011, Promote Innovation, LLC voluntarily dismissed its false marking claim against the Company, without prejudice. This complaint was filed on October 3, 2010 (*Promote Innovation, LLC v. WD-40 Company*) and alleged that the Company had intentionally included reference to an expired patent on certain product packaging, specifically including 2000 Flushes brand products, with an intent to deceive the public. See Note 10 - Commitments and Contingencies for additional information on this claim.

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

As used in this report, the terms we, our, us and the Company refer to WD-40 Company and its wholly-owned subsidiaries, unless the context suggests otherwise. Amounts and percents in tables and discussions may not total due to rounding.

The following information is provided as a supplement to, and should be read in conjunction with, the unaudited condensed consolidated financial statements and notes thereto included in Part I Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2010, which was filed with the Securities and Exchange Commission (SEC) on October 18, 2010.

In order to show the impact of changes in foreign currency exchange rates on our results of operations, we have included constant currency disclosures, where necessary, in the Overview and Results of Operations sections which follow. Constant currency disclosures represent the translation of our current fiscal year revenues and expenses from the functional currencies of our subsidiaries to U.S. dollars using the exchange rates in effect for the corresponding period of the prior fiscal year. We use results on a constant currency basis as one of the measures to understand our operating results and evaluate our performance in comparison to prior periods. Results on a constant currency basis are not in accordance with accounting principles generally accepted in the United States of America (non-GAAP) and should be considered in addition to, not as a substitute for, results prepared in accordance with GAAP.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain forward-looking statements. This report contains forward-looking statements, which reflect the Company's current views with respect to future events and financial performance.

These forward-looking statements are subject to certain risks and uncertainties. The words aim, believe, expect, anticipate, intend, estimate, and other expressions that indicate future events and trends identify forward-looking statements. These statements include, but are not limited to, references to the near-term growth expectations for multi-purpose maintenance products and homecare and cleaning products, the impact of changes in product distribution, competition for shelf space, the impact of competition on product pricing, the level of promotional and advertising spending, plans for and success of product innovation, the impact of new product introductions on the growth of sales, the impact of customer mix and costs of raw materials, components and finished goods on gross margins, the impact of promotional programs on sales, the rate of sales growth in the Asia-Pacific segment, direct European countries and Eastern and Northern Europe, foreign currency exchange rates and fluctuations in those rates, the impact of changes in inventory management, the effect of future income tax provisions and audit outcomes on tax rates, and the effects of, and changes in, worldwide economic conditions and legal proceedings and other risk factors. The Company undertakes no obligation to revise or update any forward-looking statements.

Actual events or results may differ materially from those projected in forward-looking statements due to various factors, including, but not limited to, those identified in Part I Item 1A, Risk Factors, in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2010, and in the Company's Quarterly Reports on Form 10-Q, which may be updated from time to time.

Overview

The Company

WD-40 Company, based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of doer and on-the-job users by leveraging and building the brand fortress of the Company. We market three multi-purpose maintenance product brands, WD-40®, 3-IN-ONE® Oil and BLUE WORKS®. Blue Works, which is targeted at the industrial channel, is the newest of these product brands. We launched Blue Works in the U.S. in the second quarter of fiscal year 2010 and in select markets in Europe starting in November 2010. We also market the following homecare and cleaning product brands: X-14® mildew stain remover and automatic toilet bowl cleaners, 2000 Flushes® automatic

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toilet bowl cleaners, Carpet Fresh® and No Vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain removers, 1001® household cleaners and rug and room deodorizers and Lava® and Solvol® heavy-duty hand cleaners.

Our brands are sold in various locations around the world. Multi-purpose maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the U.K., Australia and the Pacific Rim. We sell our products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers.

Highlights

The following summarizes the financial and operational highlights for our business during the nine months ended May 31, 2011:

Consolidated net sales increased \$4.8 million, or 2%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact of \$1.8 million on consolidated net sales for the nine months ended May 31, 2011. Thus, on a constant currency basis, sales would have increased by \$3.0 million, or 1%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Multi-purpose maintenance products sales, which include the WD-40, 3-IN-ONE, and BLUE WORKS brands, were \$204.6 million, up 5% from the same period last fiscal year.

Homecare and cleaning products sales, which include all other brands, were \$41.0 million, down 12% from the same period last fiscal year.

Americas segment sales were \$123.5 million, down 8% compared to the same period last fiscal year. Europe segment sales were \$90.7 million, up 9% compared to the same period last fiscal year. Asia-Pacific segment sales were \$31.5 million, up 33% compared to the same period last fiscal year.

Consolidated net income decreased \$3.0 million, or 10%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact of \$0.2 million on net income for the nine months ended May 31, 2011. Thus, on a constant currency basis, consolidated net income would have decreased \$3.2 million, or 11%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Gross profit as a percentage of net sales decreased to 50.6% for the nine months ended May 31, 2011 compared to 51.7% for the corresponding period of the prior fiscal year.

Diluted earnings per common share for the nine months ended May 31, 2011 were \$1.53 versus \$1.74 in the prior fiscal year period.

Geographic expansion continues to be a major contributor to our sales growth. Total net sales outside the U.S. were up 13% for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Progress continues to be made on the development and launch of new multi-purpose maintenance products. Blue Works has been launched in the U.S. and select markets in Europe and the WD-40 Specialist line of products is currently on track to be launched in the U.S. and the U.K. starting in the next few months.

Share repurchases have been successfully executed under our \$60.0 million approved share buy-back plan and totaled \$21.3 million during the second and third quarters of fiscal year 2011.

A new \$75.0 million credit facility was executed on June 17, 2011, significantly increasing available cash funds to the Company under such facilities.

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Our core strategic initiatives and the areas where we will continue to focus our time and resources for the remainder of fiscal year 2011 and in future periods include: (i) expanding geographically in countries where end users could benefit from or continue to benefit from using the WD-40 brand; (ii) maximizing our position in the multi-purpose maintenance products segment by focusing our research and development resources to leverage our multi-purpose maintenance products and adjacent categories; (iii) developing our business through acquisitions, joint ventures, licensing and/or other strategic partnerships; and (iv) leveraging the trust the WD-40 brand has established with its wide user base to grow our revenues and profits.

Results of Operations***Three Months Ended May 31, 2011 Compared to Three Months Ended May 31, 2010*****Operating Items**

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	Three Months Ended May 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$ 72,664	\$ 67,928	\$ 4,736	7%
Homecare and cleaning products	12,872	14,633	(1,761)	(12)%
Total net sales	85,536	82,561	2,975	4%
Cost of products sold	43,397	40,306	3,091	8%
Gross profit	42,139	42,255	(116)	
Operating expenses	30,296	29,211	1,085	4%
Income from operations	\$ 11,843	\$ 13,044	\$ (1,201)	(9)%
Net income	\$ 8,060	\$ 9,117	\$ (1,057)	(12)%
Earnings per common share diluted	\$ 0.47	\$ 0.54	\$ (0.07)	(13)%

Net Sales by Segment

The following table summarizes net sales by segment (in thousands, except percentages):

	Three Months Ended May 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Americas	\$ 46,223	\$ 46,464	\$ (241)	(1)%
Europe	28,139	27,000	1,139	4%
Asia-Pacific	11,174	9,097	2,077	23%
Total	\$ 85,536	\$ 82,561	\$ 2,975	4%

Americas

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The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	Three Months Ended May 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Multi-purpose maintenance products	\$ 37,012	\$ 35,233	\$ 1,779	5%
Homecare and cleaning products	9,211	11,231	(2,020)	(18)%
Total	\$ 46,223	\$ 46,464	\$ (241)	(1)%
% of consolidated net sales	54%	56%		

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Sales in the Americas segment, which includes the U.S., Canada and Latin America, decreased to \$46.2 million, down \$0.2 million, or 1%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Sales of multi-purpose maintenance products in the Americas segment increased \$1.8 million, or 5%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. This sales increase was primarily driven by higher sales of WD-40 products in the U.S. and Canada, which were up 3% and 24%, respectively, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. The increase in the U.S. was primarily due to a major promotional program for the WD-40 products which was conducted during the three months ended May 31, 2011 with certain of our key customers. Although this was a major promotional program in the U.S. and sales increased from period to period, sales of the WD-40 products have been negatively impacted in fiscal year 2011 by reduced product offerings and lost promotional opportunities with certain of our key customers. The increase in Canada was due to a higher level of promotional activities for the WD-40 products from period to period. As a result of fluctuations in the promotional patterns with certain of our key customers, particularly those in the mass retail, home center and warehouse club channels, it is common for our sales to vary period over period and year over year.

Sales of homecare and cleaning products in the Americas segment decreased \$2.0 million, or 18%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Although we remain focused on stabilizing the sales of our homecare and cleaning products, sales of these products continue to be negatively impacted by competition, category declines, lost distribution, reduced product offerings and the volatility of orders from and promotional programs with certain customers, particularly those in the warehouse club and mass retail channels. Sales of homecare and cleaning products in the U.S., which is where the majority of such sales originate, decreased 23% from period to period. This sales decrease was driven primarily by lower sales of Spot Shot products, which were down 23% in the U.S. for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. This decrease in Spot Shot sales was due to several factors, including lost promotional opportunities with our customers, specifically those within the warehouse club channel, category declines, lost distribution and the effect of competitive factors. Sales of our automatic toilet bowl cleaners in the Americas segment also decreased \$0.6 million, or 18%, from period to period due to competitive factors, category declines and lost distribution.

For the Americas segment, 80% of sales came from the U.S., and 20% of sales came from Canada and Latin America combined for the three months ended May 31, 2011, compared to the distribution for the three months ended May 31, 2010, when 83% of sales came from the U.S., and 17% of sales came from Canada and Latin America combined.

Europe

The following table summarizes net sales by product line for the Europe segment (in thousands, except percentages):

	Three Months Ended May 31,			
	2011	2010	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 26,047	\$ 25,061	\$ 986	4%
Homecare and cleaning products	2,092	1,939	153	8%
Total	\$ 28,139	\$ 27,000	\$ 1,139	4%
% of consolidated net sales	33%	33%		

Sales in the Europe segment increased to \$28.1 million, up \$1.1 million, or 4%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year had a favorable impact on sales. Sales for the three months ended May 31, 2011 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been \$26.3 million in the Europe segment. Thus, on a constant currency basis, sales would have decreased by \$0.7 million, or 2%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Holland,

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Switzerland and Belgium). Overall, sales from direct markets increased \$1.5 million, or 8%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. We experienced sales increases throughout the Europe segment for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year, with percentage increases in sales as follows: Italy, 25%; Iberia and France, 13% each; U.K., 4%; and the Germanics sales region, 3%.

The sales growth in the direct markets throughout the Europe segment was primarily due to new distribution, the continued growth of the WD-40 Smart Straw and 3-IN-ONE products, our increased focus on the industrial channel and the ongoing growth of our base business. Sales from direct markets accounted for 70% of the Europe segment's sales for the three months ended May 31, 2011 compared to 67% of the Europe segment's sales for the corresponding period of the prior fiscal year.

In the countries in which we sell through local distributors, sales decreased \$0.4 million, or 4%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year, primarily due to decreased sales of WD-40 products in the Middle East as a result of unstable economic conditions. The distributor markets accounted for 30% of the Europe segment's total sales for the three months ended May 31, 2011, compared to 33% for the corresponding period of the prior fiscal year.

Asia-Pacific

The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

	Three Months Ended May 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Multi-purpose maintenance products	\$ 9,605	\$ 7,635	\$ 1,970	26%
Homecare and cleaning products	1,569	1,462	107	7%
Total	\$ 11,174	\$ 9,097	\$ 2,077	23%
% of consolidated net sales	13%	11%		

Sales in the Asia-Pacific segment, which includes Asia and Australia, increased to \$11.2 million, up \$2.1 million, or 23%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year had a favorable impact on sales. Sales for the three months ended May 31, 2011 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been \$10.6 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$1.5 million, or 16%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Sales in Asia, which represented 63% of the total sales in the Asia-Pacific segment for the three months ended May 31, 2011, increased \$1.3 million, or 22%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to improved economic conditions throughout the Asia region. The distributor markets in the Asia region experienced a sales increase of \$0.5 million, or 12%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year, primarily due to the continued growth of the WD-40 products throughout the distributor markets, including those in Indonesia, Taiwan and Korea. Sales in China increased \$0.8 million, or 41%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year due to the ongoing growth of our base business and the timing of promotional activities.

Sales in Australia increased \$0.8 million, or 24%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to the favorable impact of changes in foreign currency exchange rates. On a constant currency basis, sales would have increased \$0.3 million, or 8%, for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to improved economic conditions and the ongoing growth of our base business.

Table of Contents***Gross Profit***

Gross profit decreased to \$42.1 million for the three months ended May 31, 2011 compared to \$42.3 million for the corresponding period of the prior fiscal year. As a percentage of net sales, gross profit decreased to 49.3% for the three months ended May 31, 2011 compared to 51.2% for the corresponding period of the prior fiscal year due to a variety of items which offset each other, including costs associated with petroleum-based materials and aerosol cans, sales mix changes, sales price increases and the level of discounts offered to our customers.

Gross margin was negatively impacted by 2.5 percentage points due to the combined effects of changes in the costs of petroleum-based materials and aerosol cans from period to period. There is often a delay of one quarter or more before changes in raw material costs impact cost of products sold due to production and inventory life cycles. As a result of an aerosol can price increase that our suppliers implemented in January 2011 and the increase in the costs associated with petroleum-based materials which started in the second quarter of our fiscal year 2011, our gross margin was negatively impacted from period to period. We expect that petroleum-based material costs will continue to be volatile and that volatility will have an impact on our cost of products sold in future periods.

Sales mix changes and the impact of changes in foreign currency exchange rates each negatively impacted gross margin by 0.2 percentage points for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. In addition, other miscellaneous items when combined unfavorably impacted gross margin by 0.4 percentage points from period to period.

Partially offsetting the aforementioned unfavorable impacts to gross margin were sales price increases and a lower level of advertising, promotional and other discounts offered to our customers from period to period. Sales price increases implemented on certain products during the three months ended May 31, 2011 positively affected gross margin by 0.6 percentage points. Advertising, promotional and other discounts decreased during the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year positively impacting gross margin by 0.8 percentage points. The decrease in such discounts was due to the fact that a lower percentage of sales during the three months ended May 31, 2011 was subject to promotional allowances compared to the corresponding period in the prior fiscal year. In general, the timing of advertising, promotional and other discounts, which are recorded as a reduction to sales may cause fluctuations in gross margin from period to period. Examples of advertising, promotional and other discounts include coupon redemptions, consideration and allowances given to retailers for space and/or favorable display positions in their stores, co-operative advertising and promotional activity, volume discounts and other one-time or ongoing incentives.

Note that our gross profits and gross margins may not be comparable to those of other reporting entities, since some entities include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for distribution to our customers from our contract packagers and include these costs in selling, general and administrative expenses. These costs totaled \$4.1 million and \$3.4 million for the three months ended May 31, 2011 and 2010, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the three months ended May 31, 2011 decreased \$0.7 million, or 3%, to \$22.6 million from \$23.3 million for the corresponding period of the prior fiscal year. As a percentage of net sales, SG&A expenses decreased to 26.4% for the three months ended May 31, 2011 from 28.3% for the corresponding period of the prior fiscal year. The decrease in SG&A expenses was largely attributable to lower employee-related costs, which were significantly offset by the unfavorable impact of changes in foreign currency exchange rates and increased professional services and freight costs. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, decreased \$2.8 million for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to lower bonus expense. Based on our most recent forecast and estimates in the third quarter of fiscal year 2011, certain of our business segments are not expected to achieve the sales and other profit performance metrics required to trigger payout of bonuses. As a result, bonus expense for the three months ended May 31, 2011 reflects these lower expected levels of achievement. This decrease in employee-related costs from period to period was slightly offset by annual compensation increases, which were implemented in the first quarter of the current fiscal year and not in the prior fiscal year, and higher staffing levels. Changes in foreign currency exchange rates increased SG&A expenses by \$0.7 million for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Thus, on a constant

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currency basis, SG&A expenses for the three months ended May 31, 2011 would have been \$21.9 million resulting in a decrease in such expenses of \$1.4 million for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Professional services costs increased \$0.5 million due to higher legal and consulting fees. Freight costs also increased \$0.5 million primarily due to higher diesel costs and slightly higher sales volumes for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Other miscellaneous expenses, which primarily include travel and meeting expenses, office overhead expenses, investor relations expenses and research and development expenses increased by \$0.4 million period over period.

We continued our research and development investment, the majority of which is associated with our multi-purpose maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs for the three months ended May 31, 2011 and 2010 were \$1.1 million and \$1.4 million, respectively. Our product development team, Team Tomorrow, engages in consumer research, product development, current product improvement and testing activities. This team leverages its development capabilities by partnering with a network of outside resources including our current and prospective outsource suppliers. We have recently developed a new WD-40 Specialist line of products which consist of certain specialty products aimed at current users of the WD-40 brand. We plan to start launching some of the products in this line in the U.S. and U.K. in the next few months.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the three months ended May 31, 2011 increased \$1.4 million, or 25%, to \$7.1 million from \$5.7 million for the corresponding period of the prior fiscal year. As a percentage of net sales, these expenses increased to 8.3% for the three months ended May 31, 2011 from 6.9% for the corresponding period of the prior fiscal year. The increase in advertising and sales promotion expenses was due to a higher level of advertising and promotional activities period over period, primarily in our Americas and Europe segments. Changes in foreign currency exchange rates had an unfavorable impact of \$0.2 million on advertising and sales promotion expenses for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Thus, on a constant currency basis, advertising and sales promotion expenses for the three months ended May 31, 2011 would have been \$6.9 million resulting in an increase in such expenses of \$1.2 million period over period. Investment in global advertising and sales promotion expenses for fiscal year 2011 is expected to be approximately 7.5% of net sales.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. The costs of certain promotional activities are required to be recorded as a reduction to sales, while others are recorded as advertising and sales promotion expenses. Total promotional costs recorded as a reduction to sales for the three months ended May 31, 2011 were \$5.5 million compared to \$5.4 million for the corresponding period of the prior fiscal year. Therefore, our total investment in advertising and sales promotion activities totaled \$12.6 million and \$11.1 million for the three months ended May 31, 2011 and 2010, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets was \$0.6 million and \$0.2 million for the three months ended May 31, 2011 and 2010, respectively. The increase in amortization for the three months ended May 31, 2011 was related to the 2000 Flushes, Spot Shot and 1001 trade names which were changed to definite-lived intangible assets from indefinite-lived intangible assets at February 28, 2011. The amortization for the three months ended May 31, 2010 related only to the Carpet Fresh and X-14 trade names and certain non-contractual customer relationships from the acquisition of the 1001 line of products in fiscal year 2004.

Beginning March 1, 2011, the 1001 trade name is being amortized on a straight-line basis over its estimated useful life of twenty years, and the 2000 Flushes and Spot Shot trade names are being amortized over their estimated useful lives of seventeen years. The non-contractual customer relationships intangible asset and the 1001 trade name are recorded and amortized in Pounds Sterling and are converted to U.S. dollars for reporting purposes. Therefore, a portion of the fluctuation in amortization from period to period is the result of changes in foreign currency exchange rates.

Table of Contents**Non-Operating Items**

The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Three Months Ended May 31,		
	2011	2010	Change
Interest income	\$ 59	\$ 49	\$ 10
Interest expense	\$ 277	\$ 402	\$ (125)
Other income, net	\$ 119	\$ 42	\$ 77
Provision for income taxes	\$ 3,684	\$ 3,616	\$ 68
<i>Interest Income</i>			

Interest income increased for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to higher average cash balances during the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Interest Expense

Interest expense decreased \$0.1 million for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year due to the lower principal balance on long-term borrowings resulting from the annual \$10.7 million principal payment made in October 2010.

Other Income, Net

Other income, net increased \$0.1 million for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to higher foreign currency exchange gains for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Provision for Income Taxes

The provision for income taxes was 31.4% of income before taxes for the three months ended May 31, 2011 compared to 28.4% for the corresponding period of the prior fiscal year. The increase in the effective tax rate for the three months ended May 31, 2011 as compared to the corresponding period of the prior fiscal year was attributable to the addition of an uncertain tax liability of \$0.3 million during the quarter associated with foreign operations.

Net Income

Net income was \$8.1 million, or \$0.47 per common share on a fully diluted basis for the three months ended May 31, 2011, compared to \$9.1 million, or \$0.54 per common share on a fully diluted basis for the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact of \$0.3 million on net income for the three months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Thus, on a constant currency basis, net income for the three months ended May 31, 2011 would have been \$7.8 million.

Table of Contents*Nine Months Ended May 31, 2011 Compared to Nine Months Ended May 31, 2010***Operating Items**

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	Nine Months Ended May 31, Change from Prior Year			
	2011	2010	Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$ 204,636	\$ 194,243	\$ 10,393	5%
Homecare and cleaning products	41,033	46,592	(5,559)	(12)%
Total net sales	245,669	240,835	4,834	2%
Cost of products sold	121,262	116,434	4,828	4%
Gross profit	124,407	124,401	6	
Operating expenses	85,381	80,016	5,365	7%
Income from operations	\$ 39,026	\$ 44,385	\$ (5,359)	(12)%
Net income	\$ 26,247	\$ 29,207	\$ (2,960)	(10)%
Earnings per common share diluted	\$ 1.53	\$ 1.74	\$ (0.21)	(12)%

Net Sales by Segment

The following table summarizes net sales by segment (in thousands, except percentages):

	Nine Months Ended May 31, Change from Prior Year			
	2011	2010	Dollars	Percent
Americas	\$ 123,524	\$ 134,360	\$ (10,836)	(8)%
Europe	90,653	82,881	7,772	9%
Asia-Pacific	31,492	23,594	7,898	33%
Total	\$ 245,669	\$ 240,835	\$ 4,834	2%

Americas

The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	Nine Months Ended May 31, Change from Prior Year			
	2011	2010	Dollars	Percent
Multi-purpose maintenance products	\$ 93,405	\$ 97,803	\$ (4,398)	(4)%

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Homecare and cleaning products	30,119	36,557	(6,438)	(18)%
Total	\$ 123,524	\$ 134,360	\$ (10,836)	(8)%
% of consolidated net sales	50%	56%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, decreased to \$123.5 million, down \$10.8 million, or 8%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Sales of multi-purpose maintenance products in the Americas segment decreased \$4.4 million, or 4%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. This sales decrease was primarily driven by lower sales of WD-40 products in the U.S., which were down 8% for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to reduced product offerings and lost promotional opportunities with certain of our key customers. These decreased sales of WD-40 products in the U.S. were offset by higher sales of these same products in Latin America and in Canada, which were up 8% and 4%, respectively, primarily due to new distribution and a higher level of promotional activities from period to period. As a result of fluctuations in the promotional opportunities that we have with certain of our key customers, particularly those in the mass retail, home center and warehouse club channels, it is common for our sales to vary period over period and year over year.

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Sales of homecare and cleaning products in the Americas segment decreased \$6.4 million, or 18%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Although we remain focused on stabilizing the sales of our homecare and cleaning products, sales of these products continue to be negatively impacted by competition, category declines, lost distribution, reduced product offerings and the volatility of orders from and promotional programs with certain customers, particularly those in the warehouse club and mass retail channels. Sales of homecare and cleaning products in the U.S., which is where the majority of such sales originate, decreased 20% from period to period. This sales decrease was driven primarily by lower sales of Spot Shot products, which were down 28% in the U.S. for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. This decrease in Spot Shot sales was due to several factors, including lost promotional opportunities with our customers, specifically those within the warehouse club channel, category declines, lost distribution and the effect of competitive factors. Sales of our automatic toilet bowl cleaners in the Americas segment also decreased \$1.3 million, or 11%, from period to period due to competitive factors, category declines and lost distribution.

For the Americas segment, 79% of sales came from the U.S., and 21% of sales came from Canada and Latin America combined for the nine months ended May 31, 2011, compared to the distribution for the nine months ended May 31, 2010, when 82% of sales came from the U.S., and 18% of sales came from Canada and Latin America combined.

Europe

The following table summarizes net sales by product line for the Europe segment (in thousands, except percentages):

	Nine Months Ended May 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Multi-purpose maintenance products	\$ 84,394	\$ 76,812	\$ 7,582	10%
Homecare and cleaning products	6,259	6,069	190	3%
Total	\$ 90,653	\$ 82,881	\$ 7,772	9%
% of consolidated net sales	37%	34%		

Sales in the Europe segment increased to \$90.7 million, up \$7.8 million, or 9%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Holland, Switzerland and Belgium). Overall, sales from direct markets increased \$3.7 million, or 7%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. We experienced sales growth throughout most of the Europe segment for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year, with percentage increases in sales as follows: Italy, 24%; U.K., 9%; France, 8%; and the Germanics sales region, 2%.

The sales growth in the direct markets throughout the Europe segment was primarily due to new distribution, the continued growth of the WD-40 Smart Straw and 3-IN-ONE products and our increased focus on the industrial channel. In addition, sales in the direct markets were favorably impacted by the ongoing growth of our base business as well as the economic recovery in the U.K. market. Sales from direct markets accounted for 66% of the Europe segment's sales for the nine months ended May 31, 2011 compared to 67% of the Europe segment's sales for the corresponding period of the prior fiscal year.

In the countries in which we sell through local distributors, sales increased \$4.0 million, or 15%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to increased sales of WD-40 products in Eastern Europe and Northern Europe as a result of our continued focus on the growth of our base business. The distributor markets accounted for 34% of the Europe segment's total sales for the nine months ended May 31, 2011, compared to 33% for the corresponding period of the prior fiscal year.

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The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

	Nine Months Ended May 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Multi-purpose maintenance products	\$ 26,838	\$ 19,628	\$ 7,210	37%
Homecare and cleaning products	4,654	3,966	688	17%
Total	\$ 31,492	\$ 23,594	\$ 7,898	33%
% of consolidated net sales	13%	10%		

Sales in the Asia-Pacific segment, which includes Asia and Australia, increased to \$31.5 million, up \$7.9 million, or 33%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year had a favorable impact on sales. Sales for the nine months ended May 31, 2011 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been \$30.2 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$6.6 million, or 28%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Sales in Asia, which represented 64% of the total sales in the Asia-Pacific segment for the nine months ended May 31, 2011, increased \$5.7 million, or 39%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to improved economic conditions throughout the Asia region. The distributor markets in the Asia region experienced a sales increase of \$3.3 million, or 32%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year, primarily due to the continued growth of the WD-40 products throughout the distributor markets, including those in Indonesia, the Philippines and Taiwan. Sales in China increased \$2.4 million, or 58%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year due to the ongoing growth of our base business and significant promotional activities that occurred during the first and second quarters of fiscal year 2011, which were aimed at building user awareness and distribution in the China region.

Sales in Australia increased \$2.2 million, or 24%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year partially due to the favorable impact of changes in foreign currency exchange rates. On a constant currency basis, sales would have increased \$1.1 million, or 12%, for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to improved economic conditions, promotional activities and the ongoing growth of our base business.

Gross Profit

Gross profit remained constant at \$124.4 million for each of the nine months ended May 31, 2011 and 2010. As a percentage of net sales, gross profit decreased to 50.6% for the nine months ended May 31, 2011 compared to 51.7% for the corresponding period of the prior fiscal year due to a variety of items which offset each other, including costs associated with petroleum-based materials and aerosol cans, sales mix changes, sales price increases and the level of discounts offered to our customers.

Gross margin was negatively impacted by 1.2 percentage points due to the combined effects of changes in the costs of petroleum-based materials and aerosol cans from period to period. There is often a delay of one quarter or more before changes in raw material costs impact cost of products sold due to production and inventory life cycles. As a result of an aerosol can price increase that our suppliers implemented in January 2011 and the increase in the costs associated with petroleum-based materials which started in the second quarter of our fiscal year 2011, our gross margin from period to period was negatively impacted. We expect that petroleum-based material costs will continue to be volatile and that volatility will have an impact on our cost of products sold in future periods.

Sales mix changes and the impact of changes in foreign currency exchange rates each negatively impacted gross margin by 0.2 percentage points for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. In addition, other miscellaneous items when combined unfavorably impacted gross margin by 0.4 percentage points from period to period.

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Partially offsetting the aforementioned unfavorable impacts to gross margin were sales price increases and a lower level of advertising, promotional and other discounts offered to our customers from period to period. Sales price increases implemented on certain products during the nine months ended May 31, 2011 positively affected gross margin by 0.3 percentage points. Advertising, promotional and other discounts decreased during the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year positively impacting gross margin by 0.6 percentage points. The decrease in such discounts was due to the fact that a lower percentage of sales during the nine months ended May 31, 2011 was subject to promotional allowances compared to the corresponding period in the prior fiscal year. In general, the timing of advertising, promotional and other discounts, which are recorded as a reduction to sales may cause fluctuations in gross margin from period to period. Examples of advertising, promotional and other discounts include coupon redemptions, consideration and allowances given to retailers for space and/or favorable display positions in their stores, co-operative advertising and promotional activity, volume discounts and other one-time or ongoing incentives.

Note that our gross profits and gross margins may not be comparable to those of other reporting entities, since some entities include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for distribution to our customers from our contract packagers and include these costs in selling, general and administrative expenses. These costs totaled \$10.9 million and \$9.9 million for the nine months ended May 31, 2011 and 2010, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended May 31, 2011 increased \$2.7 million, or 4%, to \$65.9 million from \$63.2 million for the corresponding period of the prior fiscal year. As a percentage of net sales, SG&A expenses increased slightly to 26.8% for the nine months ended May 31, 2011 from 26.3% for the corresponding period of the prior fiscal year. The increase in SG&A expenses was largely attributable to higher professional services costs, increased freight costs, a higher level of expenses associated with travel and meetings, increased office overhead costs and the unfavorable impact of changes in foreign currency exchange rates, all of which were partially offset by lower employee-related costs period over period. Professional services costs increased \$1.3 million due to higher legal and consulting fees. Freight costs increased \$0.9 million primarily due to increased diesel costs and slightly higher sales volumes for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Travel and meeting expenses also increased \$0.9 million due to a higher level of travel expenses associated with the ongoing support of our strategic initiatives. Office overhead expenses increased \$0.4 million primarily due to repairs required at our Memphis warehouse facility. Changes in foreign currency exchange rates increased SG&A expenses by \$0.4 million for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Thus, on a constant currency basis, SG&A expenses for the nine months ended May 31, 2011 would have been \$65.5 million resulting in an increase of \$2.3 million for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Other miscellaneous expenses, which primarily include broker sales commissions, bad debt expense and investor relations expenses increased by \$0.7 million period over period.

The increases in SG&A expenses described above were partially offset by lower employee-related costs from period to period. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, decreased \$1.9 million for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to lower bonus expense. Based on our most recent forecast and estimates in the third quarter of fiscal year 2011, certain of our business segments are not expected to achieve the sales and other profit performance metrics required to trigger payout of bonuses. As a result, bonus expense for the nine months ended May 31, 2011 reflects these lower expected levels of achievement. This decrease in employee-related costs from period to period was slightly offset by higher staffing levels and annual compensation increases, which were implemented in the first quarter of the current fiscal year and not in the prior fiscal year.

We continued our research and development investment, the majority of which is associated with our multi-purpose maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs for the nine months ended May 31, 2011 and 2010 were \$3.6 million and \$3.7 million, respectively.

Table of Contents***Advertising and Sales Promotion Expenses***

Advertising and sales promotion expenses for the nine months ended May 31, 2011 increased \$2.4 million, or 14%, to \$18.6 million from \$16.2 million for the corresponding period of the prior fiscal year. As a percentage of net sales, these expenses increased to 7.6% for the nine months ended May 31, 2011 from 6.7% for the corresponding period of the prior fiscal year. The increase in advertising and sales promotion expenses was due to a higher level of advertising and promotional activities period over period, primarily in our Europe and Asia-Pacific segments. Changes in foreign currency exchange rates did not have a material impact on advertising and sales promotion expenses for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. The costs of certain promotional activities are required to be recorded as a reduction to sales, while others are recorded as advertising and sales promotion expenses. Total promotional costs recorded as a reduction to sales for the nine months ended May 31, 2011 were \$13.5 million compared to \$13.7 million for the corresponding period of the prior fiscal year. Therefore, our total investment in advertising and sales promotion activities totaled \$32.1 million and \$29.9 million for the nine months ended May 31, 2011 and 2010, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets was \$1.0 million and \$0.5 million for the nine months ended May 31, 2011 and 2010, respectively. The increase in amortization for the nine months ended May 31, 2011 was related to the 2000 Flushes, Spot Shot and 1001 trade names which were changed to definite-lived intangible assets from indefinite-lived intangible assets at February 28, 2011. The amortization for the nine months ended May 31, 2010 related only to the Carpet Fresh and X-14 trade names and certain non-contractual customer relationships from the acquisition of the 1001 line of products in fiscal year 2004.

Beginning March 1, 2011, the 1001 trade name is being amortized on a straight-line basis over its estimated useful life of twenty years, and the 2000 Flushes and Spot Shot trade names are being amortized over their estimated useful lives of seventeen years. The non-contractual customer relationships intangible asset and the 1001 trade name are recorded and amortized in Pounds Sterling and are converted to U.S. dollars for reporting purposes. Therefore, a portion of the fluctuation in amortization from period to period is the result of changes in foreign currency exchange rates.

Non-Operating Items

The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Nine Months Ended May 31,		
	2011	2010	Change
Interest income	\$ 167	\$ 124	\$ 43
Interest expense	\$ 818	\$ 1,327	\$ (509)
Other income, net	\$ 197	\$ 120	\$ 77
Provision for income taxes	\$ 12,325	\$ 14,095	\$ (1,770)
<i>Interest Income</i>			

Interest income increased for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to higher average cash balances during the first nine months of fiscal year 2011 compared to the corresponding period of the prior fiscal year.

Interest Expense

Interest expense decreased \$0.5 million for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year due to the lower principal balance on long-term borrowings resulting from the annual \$10.7 million principal payment made in October 2010.

Table of Contents***Other Income, Net***

Other income, net increased \$0.1 million for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year primarily due to higher foreign currency exchange gains for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Provision for Income Taxes

The provision for income taxes was 32.0% of income before taxes for the nine months ended May 31, 2011 compared to 32.6% for the corresponding period of the prior fiscal year. The effective tax rate decreased period over period primarily due to benefits from both an increase in the percentage of the domestic production deduction; an increasingly favorable mix of foreign earnings taxed at lower rates; as well as the release of liabilities associated with unrecognized tax benefits that resulted from the expiration of certain statutes due to the closing of certain tax years. These benefits were significantly offset by the addition during the third quarter of an uncertain tax liability of \$0.3 million associated with foreign operations.

Net Income

Net income was \$26.2 million, or \$1.53 per common share on a fully diluted basis for the nine months ended May 31, 2011, compared to \$29.2 million, or \$1.74 per common share on a fully diluted basis for the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact of \$0.2 million on net income for the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year. Thus, on a constant currency basis, net income for the nine months ended May 31, 2011 would have been \$26.0 million.

Performance Measures and Non-GAAP Reconciliations

In managing our business operations and assessing our financial performance, we supplement the information provided by our financial statements with certain non-GAAP performance measures. These performance measures are part of our 50/30/20 rule, which includes gross margin, cost of doing business, and EBITDA, the latter two of which are non-GAAP performance measures. Cost of doing business is defined as total operating expenses less amortization of definite-lived intangible assets and depreciation in operating departments and EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We target our gross margin to be at or above 50% of net sales, our cost of doing business to be at or below 30% of net sales, and our EBITDA to be at or above 20% of net sales. Although our results for these performance measures may vary from period to period depending on various factors, including economic conditions and our level of investment in activities for the future, we continue to focus on and work towards achievement of our 50/30/20 targets over the long-term.

The following table summarizes the results of these performance measures for the three and nine months ended May 31, 2011 and 2010:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2011	2010	2011	2010
Gross margin	49%	51%	51%	52%
Cost of doing business as a percentage of net sales	34%	35%	34%	33%
EBITDA as a percentage of net sales	15%	17%	17%	20%

We use the performance measures above to establish financial goals and to gain an understanding of the comparative performance of the Company from period to period. We believe that these measures provide our shareholders with additional insights into the Company's results of operations and how we run our business. The non-GAAP financial measures are supplemental in nature and should not be considered in isolation or as alternatives to net income, income from operations or other financial information prepared in accordance with GAAP as indicators of the Company's performance or operations. Reconciliations of these non-GAAP financial measures to our financial statements as prepared in accordance with GAAP are as follows:

Cost of Doing Business (in thousands, except percentages)**Three Months Ended May 31,****Nine Months Ended May 31,**

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	2011	2010	2011	2010
Total operating expenses GAAP	\$ 30,296	\$ 29,211	\$ 85,381	\$ 80,016
Amortization of definite-lived intangible assets	(587)	(178)	(950)	(548)
Depreciation (in operating departments)	(431)	(382)	(1,227)	(1,174)
Cost of doing business	\$ 29,278	\$ 28,651	\$ 83,204	\$ 78,294
Net sales	\$ 85,536	\$ 82,561	\$ 245,669	\$ 240,835
Cost of doing business as a percentage of net sales	34%	35%	34%	33%

Table of Contents**EBITDA** (in thousands, except percentages)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2011	2010	2011	2010
Net income GAAP	\$ 8,060	\$ 9,117	\$ 26,247	\$ 29,207
Provision for income taxes	3,684	3,616	12,325	14,095
Interest income	(59)	(49)	(167)	(124)
Interest expense	277	402	818	1,327
Amortization of definite-lived intangible assets	587	178	950	548
Depreciation	699	915	2,180	2,731
EBITDA	\$ 13,248	\$ 14,179	\$ 42,353	\$ 47,784
Net sales	\$ 85,536	\$ 82,561	\$ 245,669	\$ 240,835
EBITDA as a percentage of net sales	15%	17%	17%	20%

Liquidity and Capital Resources**Overview**

The Company's financial condition and liquidity remain strong. Net cash provided by operations was \$21.6 million for the nine months ended May 31, 2011 compared to \$38.8 million for the corresponding period of the prior fiscal year. We believe we continue to be well positioned to weather any uncertainty in the capital markets and global economy due to our strong balance sheet and efficient business model, along with our growing and diversified global revenues. We continue to manage all aspects of our business including, but not limited to, monitoring the financial health of our customers, suppliers and other third-party relationships, implementing gross margin enhancement strategies and developing new opportunities for growth.

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations and cash available from our revolving credit facility, which is currently undrawn. Previously, we had a revolving credit facility with Union Bank, N.A. in the amount of \$10.0 million, but this credit facility was terminated effective on June 17, 2011 when we entered into a new \$75.0 million unsecured revolving credit facility with Bank of America, N.A. (Bank of America). Our available cash funds have increased significantly under this new credit facility with Bank of America. See Note 13 Subsequent Events for additional information on our new \$75.0 million revolving credit facility.

At May 31, 2011, we had a total of \$70.3 million in cash and cash equivalents. We believe that these existing cash and cash equivalents at May 31, 2011, the liquidity provided by our new \$75.0 million revolving credit facility and our anticipated cash flows from operations will be sufficient to meet our projected operating and capital requirements for at least the next twelve months. We consider various factors when reviewing liquidity needs and plans for available cash on hand including: future debt, principal and interest payments, early debt repayment penalties, future capital expenditure requirements, share repurchases, future dividend payments (which are determined on a quarterly basis by the Company's Board of Directors), alternative investment opportunities, loan covenants and any other relevant considerations currently facing our business.

The outstanding indebtedness under our original \$75.0 million, 7.28% fixed-rate term loan was \$10.7 million as of May 31, 2011. The final payment on this term loan is due in October 2011.

Table of Contents***Cash Flows***

The following table summarizes our cash flows by category for the periods presented (in thousands):

	Nine Months Ended May 31,		
	2011	2010	Change
Net cash provided by operating activities	\$ 21,573	\$ 38,750	\$ (17,177)
Net cash used in investing activities	(1,877)	(1,134)	(743)
Net cash used in financing activities	(28,322)	(20,464)	(7,858)
Effect of exchange rate changes on cash and cash equivalents	2,979	(3,967)	6,946
Net (decrease) increase in cash and cash equivalents	\$ (5,647)	\$ 13,185	\$ (18,832)

Operating Activities

Net cash provided by operating activities decreased \$17.2 million to \$21.6 million for the nine months ended May 31, 2011 from \$38.8 million for the corresponding period of the prior fiscal year. Cash provided by operating activities decreased for the nine months ended May 31, 2011 compared to the corresponding period in the prior fiscal year primarily due to a decrease in net income and changes in operating assets and liabilities, changes in accounts payable and accrued expenses and liabilities, inventories, income taxes payable and other assets, which include income taxes receivable balances. Accounts payable and accrued expenses and other liabilities decreased from period to period primarily due to the payment of fiscal year 2010 bonuses during the first quarter of fiscal year 2011 which were significantly higher than those paid in the corresponding period of the prior fiscal year and lower bonus accruals for the current fiscal year. Inventories increased due to additional purchases in support of promotions in the upcoming quarters and purchases associated with innovation initiatives and/or supply chain initiatives. The combined changes in income taxes payable and other assets were primarily due to the timing of income tax accruals and the related payments during the nine months ended May 31, 2011 compared to the corresponding period of the prior fiscal year.

Investing Activities

Net cash used for investing activities increased \$0.8 million to \$1.9 million for the nine months ended May 31, 2011 from \$1.1 million for the corresponding period of the prior fiscal year due primarily to higher purchases of property and equipment. Purchases of property and equipment during the nine months ended May 31, 2011 were primarily for machinery and equipment, computer equipment and software.

Financing Activities

Net cash used for financing activities increased \$7.8 million to \$28.3 million for the nine months ended May 31, 2011 from \$20.5 million for the corresponding period of the prior fiscal year due primarily to treasury stock purchases which were transacted during the second and third quarters of fiscal year 2011. The increases were significantly offset by higher proceeds from the issuance of common stock upon the exercise of stock options from period to period.

Effect of Exchange Rate Changes

All of our foreign subsidiaries currently operate in currencies other than the U.S. dollars and a significant portion of our consolidated cash balances are denominated in these foreign currencies, particularly at our U.K. subsidiary which operates in Pound Sterling. As a result, our cash and cash equivalents balances are subject to the effects of the fluctuations in these currencies against the U.S. dollars at the end of each reporting period. The net effect of exchange rate changes on cash and cash equivalents, when expressed in U.S. Dollar terms, was an increase in cash of \$3.0 million for the nine months ended May 31, 2011 as compared to a decrease in cash of \$4.0 million for the same period in fiscal year 2010. The increase of \$7.0 million from period to period is primarily due to significant changes in the foreign currency exchange rates for the Pound Sterling against the U.S. Dollar. During the first nine months of fiscal year 2011, the Pound Sterling to U.S. Dollar exchange rate increased from 1.5514 to 1.6475 whereas it decreased from 1.6275 to 1.4517 during the first nine months of fiscal year 2010.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of Regulation S-K.

Commercial Commitments

We have relationships with various suppliers (contract manufacturers) who manufacture our products. Although we typically do not have definitive minimum purchase obligations included in the contract terms with the contract manufacturers, when such obligations have been included, they have been immaterial to date. Supply needs are

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communicated by us to our contract manufacturers, and we are committed to purchase the products produced based on orders and short-term projections, ranging from two to five months, provided to the contract manufacturers. We are also obligated to purchase obsolete or slow-moving inventory from our contract manufacturers and have done so in the past under these commitments, the amounts of which have been immaterial.

In addition to the commitments to purchase products from contract manufacturers described above, we may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of May 31, 2011, no such commitments were outstanding.

Share Repurchase Plan

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was in effect through December 13, 2011. Under the plan, the Company was authorized to acquire up to \$25.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital and in compliance with all laws and regulations applicable thereto.

On April 4, 2011, the Company's Board of Directors approved an increase to the existing \$25.0 million share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares and to extend the expiration date of the plan to April 4, 2013. As a result, the Company is authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date, subject to the same approval and compliance requirements as described above. During the period from December 14, 2010 through May 31, 2011, the Company repurchased 530,977 shares at a total cost of \$21.3 million.

Dividends

On June 21, 2011, the Company's Board of Directors declared a cash dividend of \$0.27 per share payable on July 29, 2011 to shareholders of record on July 15, 2011. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

Critical Accounting Policies

Our discussion and analysis of our operating results and financial condition is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

Critical accounting policies are those that involve subjective or complex judgments, often as a result of the need to make estimates. The following areas all require the use of judgments and estimates: revenue recognition and sales incentives, allowance for doubtful accounts, accounting for income taxes and valuation of goodwill and indefinite-lived intangible assets. Estimates in each of these areas are based on historical experience and various judgments and assumptions that we believe are appropriate. Actual results may differ from these estimates.

There have been no changes to the items disclosed as critical accounting policies in Part II Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report Form 10-K for the fiscal year ended August 31, 2010, with the exception of the changes that we made to the critical accounting policy on the valuation of goodwill and indefinite-lived intangible assets as it relates to the results of the annual impairment test and evaluation that we conducted in the second quarter of fiscal year 2011.

Valuation of Goodwill and Indefinite-lived Intangible Assets

The carrying values of goodwill and indefinite-lived intangible assets are reviewed for possible impairment in accordance with the authoritative guidance on goodwill, intangibles and other. We assess possible impairments to goodwill and existing indefinite-lived intangible assets at least annually during our second fiscal quarter and otherwise when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. In addition, indefinite-lived intangible assets are evaluated each reporting period to determine whether events and circumstances continue to support an indefinite useful life. In performing the annual impairment test of our goodwill and indefinite-lived intangible assets, we consider the new fair value concepts of a market participant and the highest and best use for our intangible assets.

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We test for goodwill impairment at the reporting unit level based on a two-step process which is conducted by applying fair value concepts. First, the book value of our net assets is compared to the fair value of the net assets of the reporting units that have goodwill assigned to them. If the fair value is determined to be less than book value, a second step is performed to compute the amount of impairment. In the second step, the implied fair value of goodwill is estimated as the fair value of the reporting unit used in the first step less the fair values of all other net tangible and intangible assets of the reporting unit. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. Any required impairment losses are recorded as a reduction in the carrying amount of the related asset and charged to results of operations.

We test for impairment of our existing indefinite-lived intangible assets based on a discounted cash flow approach that requires significant management judgment and estimates with respect to, among other considerations, forecasted sales revenue, advertising and promotional expenses, cost of products sold, gross margins, operating margins, the success of product innovations and introductions, customer retention, tax rates, terminal growth values and the selection of appropriate discount and royalty rates. Many of the factors used in assessing fair value are outside the control of management, and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in future impairments. For our existing indefinite-lived intangible assets, an impairment loss is recognized when the fair value of the asset is less than its carrying amount and is measured as the amount by which the asset's carrying amount exceeds its fair value.

Events and circumstances that we consider important which could trigger impairment include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the extent or manner to which an acquired asset is being utilized by the Company;
- Significant negative industry or global economic trends;
- Significant decline in our stock price for a sustained period;
- Decreased market capitalization relative to net book value;
- Unanticipated competitive activities;
- Loss of key distribution;
- Change in consumer demand;
- Loss of key personnel; and
- Acts by governments and courts.

During the second quarter of fiscal year 2011, we performed our annual impairment test of goodwill. Based on the results of this test, we determined that our goodwill was not impaired since the fair value of each reporting unit exceeded its carrying value by more than 10% as of February 28, 2011. To date, we have not identified or recorded any impairment losses related to our goodwill.

During fiscal year 2009, we recorded impairments to certain of our indefinite-lived intangible assets, all of which were related to brands included in our homecare and cleaning products line, based on the results of our annual or subsequent events and circumstances driven impairment tests. During the second quarter of fiscal year 2009, we determined, while performing our annual impairment tests, that our indefinite-lived intangible asset related to our Carpet Fresh brand was impaired as of February 28, 2009. Due to the declines in profit margin and forecasted sales revenue for the Carpet Fresh brand, both of which occurred during the second quarter of fiscal year 2009, we concluded that the Carpet Fresh trade name was impaired by \$2.8 million as of February 28, 2009. The decline in forecasted sales revenue for the Carpet Fresh brand resulted from our strategic decision to focus our research and development resources on our multi-purpose maintenance products and not our homecare and cleaning products, the loss of distribution with a significant U.S. mass retail customer and assumed lower future foreign currency exchange rates in the U.K. and Australia. While some of these factors also impacted the indefinite-lived intangible assets related to our other homecare and cleaning product brands, they did not result in impairment to any of such other indefinite-lived intangible assets as of February 28, 2009.

During the third and fourth quarters of fiscal year 2009, we reevaluated our indefinite-lived intangible assets and determined that indicators of potential impairment existed due to lower than forecasted sales revenue for several of our homecare and cleaning products, including the Carpet Fresh, X-14, Spot Shot and 2000 Flushes brands. As a result, we tested these indefinite-lived intangible assets for impairment for both periods. For the test conducted during the third quarter of fiscal year 2009, we concluded that no impairment existed as of May 31, 2009. For the

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test conducted during the fourth quarter of fiscal year 2009, we concluded that the intangible assets associated with our Carpet Fresh and X-14 trade names were impaired by \$3.3 million and \$0.6 million, respectively, as of August 31, 2009.

Due to the continued sales declines in fiscal year 2009 and the lower level of forecasted sales for the Carpet Fresh and X-14 brands which were caused by a variety of factors, including lost distribution and our strategic decision to focus our research and development resources on our multi-purpose maintenance products, we concluded that these two trade names should no longer be considered to have indefinite lives. As a result, effective August 31, 2009, we changed the classification of the Carpet Fresh and X-14 trade names from indefinite-lived to definite-lived intangible assets. We began to amortize the Carpet Fresh and X-14 trade names on a straight-line basis effective on September 1, 2009 based on their estimated remaining useful lives of thirteen and eight years, respectively.

No impairment was identified or recorded related to our indefinite-lived intangible assets during fiscal year 2010 and no events or circumstances occurred during this period that indicated that an indefinite life was no longer warranted for any of these intangible assets.

During the second quarter of fiscal year 2011, we conducted the annual impairment test for our indefinite-lived intangible assets, which included the 2000 Flushes, Spot Shot and 1001 trade names. All three of these trade names generate their own revenue streams and the revenues for each are in no way dependent on the revenue streams of any of the other trade names. Based on the results of this annual impairment test, we determined that none of these intangible assets were impaired as of February 28, 2011. Although no impairment was identified during this annual impairment test, the amount by which the fair values exceeded the carrying values for two of the three trade names decreased from the fiscal year 2010 annual impairment test. This is due to the manner in which the Company plans to manage these trade names in future periods, the decreased sales for these trade names in recent periods and the lower level of forecasted sales for these trade names in future periods.

In conjunction with the annual impairment test that was conducted in the second quarter of fiscal year 2011, we also performed an evaluation of our indefinite-lived intangible assets to determine whether an indefinite life for each trade name was still warranted as of February 28, 2011. As a result of this evaluation, we determined that events and circumstance had occurred during the second quarter of fiscal year 2011 which indicated that the 2000 Flushes, Spot Shot and 1001 trade names should no longer be considered to have indefinite lives. These events and circumstances included the following, all of which indicate that these three trade names are definite-lived:

- Our strategic decision to divert research and development resources from our 2000 Flushes, Spot Shot and 1001 trade names so that we can focus more specifically and continue to gain momentum on the development and extension of our multi-purpose maintenance products;

- The tactical manner in which we intend to manage all three trade names in future periods;

- Lost distribution within certain channels for these trade names, which we may or may not be able to recover in future periods;

- The recent increased variability of promotional activities with certain of our key customers for these trade names, which we may or may not be able to reverse in future periods; and

- A lower level of forecasted sales for each of these trade names as a result of decreased sales for each in recent periods and the manner in which we intend to manage these trade names in future periods.

As a result of the aforementioned events and circumstances, we determined that it was appropriate to change the 2000 Flushes, Spot Shot and 1001 trade names from indefinite-lived to definite-lived intangible assets effective February 28, 2011.

We determined the estimated remaining economic lives of the 2000 Flushes, Spot Shot and 1001 trade names based on future forecasted cash flows for these trade names, as well as the consideration of various other factors. These factors included the strength of each trade name and their respective market share within the category in which each operates, the stability of the household cleaning products industry, the fact that these trade names have been in existence for a long period of time and are expected to remain in existence for a significant number of years in the future and the fact that no legal, regulatory, or contractual conditions currently exist that would limit their remaining useful lives. After taking all of these factors into consideration, we concluded that the 1001 trade name will generate future cash flows for at least the next twenty years and the 2000 Flushes and Spot Shot trade names will generate future cash flows for at least the next seventeen years. As a result, these are the periods over which each trade name will be amortized on a straight-line basis beginning on March 1, 2011. In periods beginning after

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February 28, 2011, total amortization expense of approximately \$0.4 million quarterly or \$1.6 million annually will be recorded associated with these three trade names.

Recently Issued Accounting Standards

In June 2011, the Financial Accounting Standards Board (FASB) issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies will have the option to present other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Under both alternatives, companies will be required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In the single continuous statement approach, the guidance requires the entity to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the income statement will be followed immediately by the statement of other comprehensive income, which will include the amount for total comprehensive income. This updated authoritative guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company expects the adoption of this updated authoritative guidance to have an impact on its consolidated financial statement disclosures.

In May 2011, the FASB issued updated authoritative guidance to amend the fair value measurements and disclosures. This guidance relates to a major convergence project of the FASB and the International Accounting Standards Board (IASB) to improve International Financial Reporting Standards (IFRS) and U.S. GAAP. This new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between IFRS and U.S. GAAP. The new guidance also changes some fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The amendments are effective for interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of this updated authoritative guidance to have a material impact on its consolidated financial statement disclosures.

In December 2010, the FASB issued updated authoritative guidance related to when to perform step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. Per this updated authoritative guidance, when a reporting unit has a zero or negative carrying amount, Step 2 of the goodwill impairment test will be performed if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors to be considered are consistent with the current interim impairment triggers for goodwill. Upon adoption, an entity will perform Step 2 of the goodwill impairment test if it is more likely than not that goodwill is impaired. Furthermore, any impairment identified at the time of adoption will be recognized as a cumulative effect adjustment to beginning retained earnings. We are required to apply these new requirements in its fiscal year beginning after December 15, 2010. We have evaluated this updated authoritative guidance, and we do not expect it to have a material impact on our consolidated financial statements.

In July 2010, the FASB issued updated authoritative guidance related to financing receivables which enhances the disclosure requirements about the credit quality and related allowance for credit losses of financing receivables. This updated authoritative guidance is effective for interim and annual reporting periods ending on or after December 15, 2010. We have evaluated this updated authoritative guidance, and we do not expect it to impact our consolidated financial statement disclosures.

In January 2010, the FASB issued updated authoritative guidance related to fair value measurements which requires certain new disclosures related to activities in Level 3 fair value measurements, including purchases, sales, issuances and settlements. This updated authoritative guidance is effective for annual periods beginning after December 15, 2010. We do not expect the adoption of this updated authoritative guidance to have a material impact on our consolidated financial statement disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to Part II Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the fiscal year ended August 31, 2010, which was filed with the SEC on October 18, 2010.

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Item 4. Controls and Procedures

The term disclosure controls and procedures is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (Exchange Act). The term disclosure controls and procedures means controls and other procedures of a Company that are designed to ensure the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of May 31, 2011, the end of the period covered by this report (the Evaluation Date), and they have concluded that, as of the Evaluation Date, such controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in the Company's reports filed under the Exchange Act. Although management believes the Company's existing disclosure controls and procedures are adequate to enable the Company to comply with its disclosure obligations, management continues to review and update such controls and procedures. The Company has a disclosure committee, which consists of certain members of the Company's senior management.

There were no changes to the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that materially affected, or would be reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business.

On October 3, 2010, a legal action was filed against the Company in the United States Federal Court for the Eastern District of Texas (*Promote Innovation, LLC v. WD-40 Company*). The complaint is a *qui tam* action brought by the plaintiff on behalf of the United States of America for alleged violation of Section 292 of the Patent Act (Title 35 U.S. Code, Section 292) for false patent marking. The complaint alleges that the Company included reference to an expired patent on certain product packaging, specifically including 2000 Flushes brand products, with an intent to deceive the public. The complaint seeks to recover a civil monetary fine of \$500 per false marking offense, or an alternative amount determined by the court, one-half of which is to be paid to the United States. On June 6, 2011, Promote Innovation LLC voluntarily dismissed its false marking claim against the Company, without prejudice.

On June 18, 2010, a legal action, entitled *Andrea Burns v. WD-40 Company*, was filed against the Company in the Superior Court of California for the County of Orange (*Burns*). The complaint seeks class action status and alleges that the Company misrepresented that its 2000 Flushes Bleach and 2000 Flushes Blue Plus Bleach automatic toilet bowl cleaners (ATBCs) are safe for plumbing systems and unlawfully omitted to advise consumers regarding the allegedly damaging effect the use of the ATBCs has on toilet parts made of plastic and rubber. The plaintiff seeks damages and/or restitution, an injunction and other relief, including punitive damages, attorneys fees and costs.

The *Burns* action is substantively similar to three previous legal proceedings filed against the Company since 2002. Each of the prior actions was dismissed, including the most recent proceeding, *Drimmer v. WD-40 Company* (*Drimmer*), a case filed by the same plaintiff law firm in April 2006 in the United States District Court, Southern District of California. In August 2008, the Company defeated the *Drimmer* plaintiff's motion for class certification, a decision that was upheld by the Ninth Circuit Court of Appeals in September 2009. The *Drimmer* action was subsequently dismissed with prejudice in March 2010.

In the *Burns* action, the parties have conducted limited discovery, including the Company's deposition of the plaintiff in March 2011 to determine the facts upon which the plaintiff bases its individual claims and suitability as a proposed class representative. Based on information known to the Company at this time, the Company has concluded that its exposure to material loss in *Burns* is remote.

Since 2004, the Company has been named as a defendant in lawsuits brought by a group of attorneys on behalf of individual plaintiffs who assert that exposure to products that allegedly contain benzene is a cause of certain cancers (the Benzene Lawsuits). The Company is one of many defendants in these legal proceedings whose products are alleged to contain benzene. However, the Company specifies that its suppliers provide constituent ingredients free of benzene. The Company believes its products have always been formulated without containing benzene and that the facts developed in litigation to date support this position. The plaintiffs in the Benzene Lawsuits typically seek damages in unspecified amounts for injuries or death attributable to a form of cancer linked to exposure to benzene. The Company is unable to quantify the total amount of damages asserted by the plaintiffs in the Benzene Lawsuits. Except for self-insured retention amounts applicable to each separately filed lawsuit, the Company expects that the Benzene Lawsuits will be adequately covered by insurance and will not have a material impact on the Company's consolidated financial position or results of operations. The Company is vigorously defending these lawsuits and continues to obtain dismissals reducing the number of pending actions. Based on information known to the Company at this time, the Company has concluded that its exposure to material loss from the Benzene Lawsuits is remote.

Other than set forth herein, during the quarter ended May 31, 2011 and through the filing date of this report on Form 10-Q, there were no developments with respect to legal proceedings that were pending as of the prior fiscal year end and disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2010, which was filed with the SEC on October 18, 2010.

Table of Contents**Item 1A. Risk Factors**

There have been no material changes in our risk factors from those disclosed in Part I Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended August 31, 2010, which was filed with the SEC on October 18, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was in effect through December 13, 2011. Under the plan, the Company was authorized to acquire up to \$25.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital and in compliance with all laws and regulations applicable thereto.

On April 4, 2011, the Company's Board of Directors approved an increase to the existing \$25.0 million share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares and to extend the expiration date of the plan to April 4, 2013. As a result, the Company is authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date, subject to the same approval and compliance requirements as described above. During the period from December 14, 2010 through May 31, 2011, the Company repurchased 530,977 shares at a total cost of \$21.3 million.

The following table provides information with respect to all purchases made by the Company during the three months ended May 31, 2011. All purchases listed below were made in the open market at prevailing market prices. Purchase transactions after May 18, 2011 were executed pursuant to a trading plan adopted by the Company pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
March 1 – March 31		\$		\$ 50,447,660
April 1 – April 30	140,666	\$ 40.79	140,666	\$ 44,707,344
May 1 – May 31	146,811	\$ 40.91	146,811	\$ 38,698,244
Total	287,477	\$ 40.85	287,477	

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Item 6. Exhibits

Exhibit No.	Description
3(a)	Certificate of Incorporation, incorporated by reference from the Registrant's Form 10-K filed October 25, 2007, Exhibit 3(a) thereto.
3(b)	Bylaws, incorporated by reference from the Registrant's Form 10-Q filed January 9, 2009, Exhibit 3(b) thereto.
31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

WD-40 COMPANY

Registrant

Date: July 8, 2011

By: /s/ GARRY O. RIDGE

Garry O. Ridge

President and Chief Executive Officer

(Principal Executive Officer)

By: /s/ JAY W. REMBOLT

Jay W. Rembolt

Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)