

CATERPILLAR INC
Form 11-K
June 28, 2018

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

FORM 11-K

(Mark
One)

☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
For the transition period from _____ to _____.

Commission File No. 1-768

CATERPILLAR RAIL DIVISION RETIREMENT SAVINGS PLAN FOR COLLECTIVELY BARGAINED
EMPLOYEES

(Full title of the plan and the address of the plan, if different from that of the issuer named below)

CATERPILLAR INC.
510 Lake Cook Road, Suite 100, Deerfield, Illinois 60015
(Name of issuer of the securities held pursuant to the plan and the address of its principal executive office)

Caterpillar Rail Division Retirement
Savings Plan for Collectively
Bargained Employees
Financial Statements and Supplemental Schedule
December 31, 2017 and 2016

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Report of Independent Registered Public Accounting Firm
To the Administrator and Plan Participants of
Caterpillar Rail Division Retirement Savings Plan
for Collectively Bargained Employees

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of Caterpillar Rail Division Retirement Savings Plan for Collectively Bargained Employees (the “Plan”) as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the year ended December 31, 2017, including the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on the Plan’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental schedule is the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ PricewaterhouseCoopers LLP

Peoria, Illinois
June 28, 2018

We have served as the Plan's auditor since 2014.

Caterpillar Rail Division Retirement Savings Plan for
Collectively Bargained Employees
Statements of Net Assets Available for Benefits
December 31, 2017 and 2016

(in thousands of dollars)	2017	2016
Investments		
Interest in the Master Trust	\$30,295	\$26,077

Receivables		
Notes receivable from participants	1,581	1,426
Participant contributions receivable	25	24
Employer contributions receivable	841	1,101
Other contributions receivable	2	—
Total receivables	2,449	2,551

Net assets available for benefits	\$32,744	\$28,628
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The accompanying notes are an integral part of these financial statements.

Caterpillar Rail Division Retirement Savings Plan for Collectively
Bargained Employees
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2017

(in thousands of dollars)	2017
Investment income (loss)	
Plan interest in net investment income (loss) of the Master Trust	\$4,337
Interest income	
Notes receivable from participants	47
Contributions	
Participant	1,397
Employer	1,345
Other	2
Total contributions	2,744
Deductions	
Participant withdrawals	(2,926)
Administrative expenses	(86)
Total deductions	(3,012)
Net increase (decrease) in net assets available for benefits	4,116
Net assets available for benefits	
Beginning of year	28,628
End of year	\$32,744

The accompanying notes are an integral part of these financial statements.

Caterpillar Rail Division Retirement Savings Plan for Collectively Bargained Employees
Notes to Financial Statements
December 31, 2017 and 2016

1. Plan Description

The following description of the Caterpillar Rail Division Retirement Savings Plan for Collectively Bargained Employees (the "Plan") provides only general information. Participants should refer to the Plan documents for more complete information regarding the Plan.

General

The Plan is a profit sharing plan that includes a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code ("IRC") and is an "employee stock ownership plan" within the meaning of IRC Section 4975(e)(7). The Plan is maintained and sponsored by Progress Rail Locomotive Inc. ("Progress Rail"), a 100 percent-owned subsidiary of Caterpillar Inc., and it enables eligible employees of Progress Rail and its subsidiaries and affiliates that adopt the Plan (the "participating employers") to accumulate funds for retirement. The Plan is governed by the provisions of the Employee Retirement Income Security Act, as amended ("ERISA").

Participation

The Plan is for the benefit of certain collectively bargained employees of Progress Rail, Progress Rail Welding Corporation ("PRW"), United Industries Corporation ("UNI"), Progress Rail Rocklin Corporation ("PRK"), Progress Metal Reclamation ("PMR") and certain employees of their subsidiaries and affiliates that adopt the Plan. Participating eligible employees (the "participants") may elect to defer a portion of their eligible compensation through pre-tax contributions and in certain circumstances after-tax contributions. Eligibility to participate in the Plan varies based upon the terms of the applicable collective bargaining agreements. Participants should refer to the applicable supplement to the Plan document for further information.

Contributions

All active participants may elect to have a portion of their eligible compensation (as defined by the applicable supplement to the Plan document) contributed to the Plan as a pre-tax 401(k) contribution. Also, certain participants may elect to designate contributions as after-tax Roth 401(k) contributions and/or after-tax contributions. Participants who are at least 50 years old by the end of the calendar year are allowed to make a catch-up contribution for that year.

Contributions are subject to certain limitations set by the IRC. The eligibility for the various contributions is based on the applicable collective bargaining agreements, as described below.

Progress Rail participants: Eligible to contribute up to 60 percent of eligible compensation as a pre-tax 401(k) contribution, after-tax Roth 401(k) contribution and/or after-tax contribution.

PRW, UNI, PMR and PRK participants: Eligible to contribute up to 70 percent of eligible compensation as a pre-tax 401(k) contribution.

All Plan participants are eligible for employer matching contributions based on the applicable collective bargaining agreements, as described below.

Progress Rail participants: Equal to 50 percent of the participant's 401(k) contributions and after-tax contributions up to a maximum of 6 percent of eligible compensation. Matching contributions are not made on catch-up contributions.

PRW participants: Equal to 50 percent of the participant's 401(k) contributions up to a maximum of 3 percent of eligible compensation. Matching contributions are not made on catch-up contributions.

UNI participants: For participants covered by the International Brotherhood of Teamsters collective bargaining agreement the employer match is 65 percent of the participant's 401(k) contributions up to a maximum of 5 percent of eligible compensation. For participants covered by the Brotherhood Railway Carmen, Transportation Communication, International Union collective bargaining agreement the employer match is 50 percent of the participant's 401(k) contributions up to a maximum of 5 percent of eligible compensation. Matching contributions are not made on catch-up contributions.

PRK participants: Equal to 75 percent of the participant's 401(k) contributions up to a maximum of 6 percent of eligible compensation. Matching contributions are not made on catch-up contributions.

PMR participants: Equal to 70 percent of the participant's 401(k) contributions up to a maximum of 6 percent of eligible compensation. Matching contributions are not made on catch-up contributions.

In addition, Progress Rail participants also are eligible for an annual employer non-elective contribution equal to 4.5 percent of the participant's eligible compensation to be made after the close of the Plan year. In order to receive the annual non-elective contribution, the participant must earn 1,000 hours of service during the Plan year and be employed by Progress Rail on the last day of the Plan year. The adopting employer may also make a discretionary employer non-elective contribution to the Plan for the PRW, UNI, PMR and PRK participants. The employers did not make any discretionary non-elective contribution for the 2017 Plan year. The Progress Rail non-elective contribution is included in Employer contributions receivable on the Statements of Net Assets Available for Benefits and was \$0.8 million and \$1.1 million for the 2017 and 2016 Plan years, respectively.

Participants direct the investment of their contributions, employer matching and employer non-elective contributions into various investment options offered by the Plan as discussed in Note 3. Participants generally may change their contribution elections and prospective investment elections on a daily basis and reallocate the investment of their existing account balance either daily or every seven business days (if subject to applicable trading restrictions) depending on the investment.

Participant Accounts

Accounts are separately maintained for each participant. The participant's account is credited with the participant's contributions, employer matching contributions, employer non-elective contributions, Plan earnings/losses (based on each participant's investment elections) and charged with administrative expenses. Participants are entitled to the benefit that can be provided from the participant's vested account.

Vesting and Distribution Provisions

Participants are fully vested in their participant contributions and related earnings thereon. Employer matching contributions, employer non-elective contributions and the related earnings thereon have varying vesting schedules, as described below.

Progress Rail participants: Shall vest under the following schedule; provided, however, a participant becomes fully vested if he/she retires after incurring a disability, dies while actively employed or performing qualified military service, or terminates employment after attaining age 65.

Years of Service Percentage Vested

Less than 3	0%
3 and more	100%

All other Plan participants: Shall vest under the following schedule; provided, however, a participant becomes fully vested if he/she incurs a disability, dies while actively employed or while performing qualified military service, or terminates employment after attaining age 65.

Years of Service Percentage Vested

Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 and more	100%

Upon termination of employment for any reason, including death or retirement, the balance in a participant's vested account is distributable in a single lump sum cash payment unless the participant (or beneficiary) elects to receive periodic withdrawals. Participants also have the option to leave their vested account balance in the Plan, subject to certain limitations. A participant also may elect to receive a distribution of shares of Caterpillar Inc. stock up to the amount of the participant's balance in the Caterpillar Stock Fund. The value of any full or fractional shares paid in cash will be based upon the average price per share the Trustee receives from the sales of shares of Caterpillar Inc. stock for the purpose of making the distribution.

Employer contributions forfeited by terminated participants are used to reduce future employer contributions to the Plan. The amount forfeited and used to reduce future employer contributions for the year ended December 31, 2017 was \$8 thousand.

Notes Receivable from Participants

The Plan provides for participant loans against eligible participant account balances. Eligible participants obtain loans by filing a loan application with the Plan's recordkeeper and receiving all requisite approvals. Loan amounts are generally limited to the lesser of \$50,000, 50 percent of the individual participant's vested account balance or the sum of the participant's 401(k) contributions account, Roth 401(k) contributions account, after-tax contributions account, after-tax rollover account, rollover account, and Roth rollover account as of the inception date of the loan, with certain regulatory restrictions. Each loan specifies a repayment period that cannot extend beyond five years. However, the five-year limit shall not apply to any loan used to acquire any dwelling unit which within a reasonable time is to be used as the principal residence of the participant (determined at the time the loan is made). Loans bear interest at the prime interest rate, as determined at the time of loan origination. Loans that transferred to the Plan due to acquisitions are based upon the terms of the plan agreement in effect at the time of loan origination. Repayments, including interest, are made through payroll deductions and are credited to the individual participant's account balance. Participant loans are measured at their unpaid principal balance plus any accrued but unpaid interest. For participant loans that are in default, the amount of the unpaid loan principle and interest due to the Plan will be treated as a deemed distribution. Deemed distributions are reported as a taxable distribution and remain part of the participant's account balance until a distributable event occurs (i.e. as termination of employment).

Administration

The Plan is administered by Caterpillar Inc. Pursuant to procedures adopted by Caterpillar Inc., responsibility for the Plan's non-financial matters has been delegated to the Benefits Administrative Committee and responsibility for the Plan's financial matters has been delegated to the Caterpillar Inc. Benefit Funds Committee. Caterpillar Inc., as sponsor of the Caterpillar Investment Trust, and the Benefit Funds Committee have entered into a trust agreement with The Northern Trust Company (the "Trustee") to receive contributions, administer the assets of the Plan and distribute withdrawals pursuant to the Plan. Caterpillar Inc. has retained Alight Solutions to provide recordkeeping and administrative services as part of the administration of the Plan.

Plan Termination

Progress Rail, as Plan sponsor, and Caterpillar Inc., as Progress Rail's corporate parent, have the right under the Plan at any time to terminate the Plan, subject to provisions of ERISA and subject to the terms of any applicable collective bargaining agreements. In the event of Plan termination, participants will become fully vested in all benefits which have been accrued up to the date of Plan termination and Plan assets will be distributed in accordance with the provisions of the Plan.

Plan Qualification

The Plan obtained its latest determination letter on March 23, 2015, in which the Internal Revenue Service ("IRS") stated that the Plan and related trust, as then designed, were in compliance with the applicable requirements of the IRC. Although the Plan has been amended subsequent to the period covered by the determination letter, the Plan Administrator and the Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC, and therefore, believe that the Plan is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Progress Rail has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Progress Rail believes the Plan is no longer subject to income tax examinations for tax years prior to 2010.

2. Summary of Significant Accounting Policies and New Accounting Pronouncements

New Accounting Pronouncements

Employee Benefit Plan Master Trust Reporting - In February 2017, the Financial Accounting Standards Board issued accounting guidance to improve the usefulness of information reported to users of employee benefit plan financial statements and to provide clarity to preparers and auditors. The new guidance primarily relates to the reporting by a plan for its interest in a master trust. The new guidance requires that a plan's interest in each master trust and changes in those interests be reported in separate line items in the statement of net assets available for benefits and statement of changes in net assets available for benefits, respectively. The new guidance also removes the requirement to disclose the percentage interest for plans with a divided interest in a master trust, requires all plans to disclose the dollar amount of their interest in each general investment type of the master trust, and requires plans to disclose the master trust's other asset and liability balances and the dollar amount of the plan's interest in each of those balances. In addition, the guidance also eliminates redundancy relating to 401(h) account asset disclosures which is not applicable to the Plan. This guidance is effective for the Plan year ending December 31, 2019, with retrospective application required. Early adoption is permitted. The Plan's management is currently reviewing the impact of this guidance on the Plan's financial statements and the accompanying notes to the financial statements.

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investments

The Plan's interest in the Caterpillar Investment Trust ("Master Trust") is valued as described in Note 4. Interest on investments is recorded as earned. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Administrative Expenses

The Plan charges a \$5 per month per participant fee, which is transferred monthly from the Master Trust into a holding account to pay expenses as they come due. The amount accumulated in the holding account is used to pay certain administrative expenses that have been approved by the Benefit Funds Committee including recordkeeping fees, trustee fees, plan education and audit fees. Caterpillar Inc. pays any administrative expenses which exceed amounts collected from participants annually by the Plan, excluding applicable expenses paid directly from participant accounts described below. If amounts collected from participants exceed certain administrative expenses, the Plan administrator determines whether a corrective action is appropriate which could include a reallocation of funds back to participant accounts or a structural change to the participant fees.

In addition, certain administrative expenses are paid directly from participant accounts. These administrative expenses include quarterly fees for participants that utilize managed account services and processing fees for qualified domestic relations orders.

Participant Withdrawals

Participant withdrawals are recorded when paid.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimated. Progress Rail believes the techniques and assumptions used in establishing these amounts are appropriate.

Risks and Uncertainties

The Plan invests in a combination of stocks, bonds, fixed income securities, common collective trusts, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

3. Investment Programs

Investment options that are currently available to participants consist of three main categories: Target Retirement Funds, core investment options (including the Caterpillar Stock Fund) and a participant directed brokerage option. There were no participants using the participant directed brokerage option as of December 31, 2017 and 2016.

The Target Retirement Funds are portfolios created primarily from the Plan's core investment options. The goal of these funds is to give participants investment options that provide an age appropriate asset allocation. Each Target Retirement Fund contains a blend of stock and bond investments. The proportion of stocks and bonds in each fund is based on an anticipated retirement date and will change over time. These funds automatically change the asset allocation over time to maintain an appropriate level of risk for the retirement horizon. Below are the Target Retirement Funds for participants based upon their birth year with the assumption that participants will retire at the age of 65 and the asset allocation for the 2017 Plan year.

Target Retirement Funds	Birth Years	Asset Allocation
Target Retirement Income Fund	Before 1954	37% stocks, 53% bonds and 10% cash equivalents
Target Retirement 2020 Fund	1954-1958	48% stocks, 48% bonds and 4% cash equivalents
Target Retirement 2025 Fund	1959-1963	61% stocks and 39% bonds
Target Retirement 2030 Fund	1964-1968	71% stocks and 29% bonds
Target Retirement 2035 Fund	1969-1973	79% stocks and 21% bonds
Target Retirement 2040 Fund	1974-1978	84% stocks and 16% bonds
Target Retirement 2045 Fund	1979-1983	86% stocks and 14% bonds
Target Retirement 2050 Fund	1984-1988	86% stocks and 14% bonds
Target Retirement 2055 Fund	1989-1993	86% stocks and 14% bonds
Target Retirement 2060 Fund	1994 & After	86% stocks and 14% bonds

In addition to the Target Retirement Funds, the Plan also provides participants with core investment options which are made up of actively managed investment funds and index funds. The following table provides the current lineup of investment funds and index funds that are currently available to participants.

Menu of Core Investment Options

U.S. Large Cap Equity Funds	Capital Preservation Funds
1 Caterpillar Stock Fund	8 Stable Principal Fund
2 U.S. Large Cap Equity Fund	9 Money Market Fund
3 U.S. Large Cap Equity Index Fund	
U.S. Small/Mid Cap Equity Funds	Fixed Income Fund
4 U.S. Small/Mid Cap Equity Fund	10 Bond Fund
5 U.S. Small/Mid Cap Equity Index Fund	11 Bond Index Fund
International Equity Funds	
6 International Equity Fund	
7 International Equity Index Fund	

The Caterpillar Stock Fund consists of Caterpillar Inc. common stock and a small amount of cash and/or cash equivalents.

The participant directed brokerage option allows participants to invest outside of the standard Plan options. Alight Financial Solutions is the introducing broker/dealer and Pershing, a division of BNY Mellon, is the custodian/clearing firm for the participant directed brokerage option. The types of investments offered through the participant directed brokerage option are individual company stocks (excluding Caterpillar Inc. common stock), exchange traded funds, registered investment companies and fixed income securities such as bonds.

Participants also have the option to enroll in professional account management through the Plan's recordkeeper for additional, separately charged fees.

4. Master Trust

All of the Plan's investments are held in the Master Trust, which was established for the investment of the Plan and other Caterpillar Inc. sponsored retirement plans. The Northern Trust Company is the Trustee of the Master Trust and the custodian for funds invested through the core investments and the Target Retirement Funds (the funds invested through the core investments and the Target Retirement Funds are referred to as the Master Trust herein). The Plan and the other Caterpillar Inc. sponsored retirement plans pool their investments in the Master Trust in exchange for a percentage of participation in the Master Trust.

The percentage of the Plan's participation in the Master Trust was determined based on the December 31, 2017 and 2016 net asset values for the investment fund options chosen by participants of each plan. At December 31, 2017 and

2016, the Plan's interest in the net assets of the Master Trust was 0.27 percent and 0.29 percent, respectively.

The following table presents the net assets of the Master Trust as of December 31, 2017 and 2016.

(in thousands of dollars)	2017	2016
ASSETS		
Investments, at fair value		
Caterpillar Inc. common stock	\$2,787,928	\$1,974,515
Common stocks	1,878,127	1,483,469
Preferred stocks	15,970	12,290
Preferred corporate bonds and notes	14,548	17,645
Other corporate bonds and notes	598,098	530,559
U.S. government securities	613,587	492,975
Common collective trusts	4,506,627	3,633,576
Registered investment companies	4,125	2,862
Interest bearing cash	90,212	77,808
Other investments, net	135,958	118,242
	10,645,180	8,343,941
Investments, at contract value		
Fully benefit-responsive synthetic guaranteed investment contracts	565,569	626,007
Other assets		
Cash	2,407	674
Receivable for plan transfers ¹	—	4,987
Receivables for securities sold	65,512	60,017
Accrued income	14,525	12,695
	82,444	78,373
Total Master Trust assets	11,293,193	9,048,321
LIABILITIES		
Payables for securities purchased	(158,769)	(115,208)
Net Master Trust assets	\$11,134,424	\$8,933,113
Plan's interest in net Master Trust assets with fully benefit-responsive synthetic guaranteed investment contracts at contract value	\$30,295	\$26,077

¹ On December 31, 2016, the RDS Manufacturing, Inc. 401(k) Savings Plan merged with and into the Caterpillar 401(k) Savings Plan. Plan assets were not transferred into the Master Trust until January 2017.

As the Plan has a specific interest in the Master Trust, the below table provides the distribution of investment risk specific to the Plan based upon the investment programs available to participants as of December 31, 2017 and 2016 .

Investment Program	2017	2016
Caterpillar Stock Fund	0.8%	0.6%
U.S. Large Cap Equity Funds	10.4%	9.1%
U.S. Small / Mid Cap Equity Funds	4.9%	4.6%
International Equity Funds	8.1%	6.4%
Capital Preservation Funds	2.7%	3.2%
Fixed Income Funds	5.7%	5.9%
Target Retirement Funds	67.4%	70.2%

The fully benefit-responsive synthetic guaranteed investment contracts are valued at contract value as described in the Investment Contracts section of Note 4. All other investments are stated at fair value and are valued as described below:

Common and preferred stocks: Primarily valued at quoted market prices.

Preferred and other corporate bonds and notes: Valued based on matrices or models from reputable pricing vendors and may be determined by factors which include, but are not limited to market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

U.S. government securities: Valued based on matrices or models from reputable pricing vendors.

Common collective trusts: Primarily stated at net asset value ("NAV") of units held. The Plan's management have elected the practical expedient to use NAV in measuring the fair value of the underlying investments.

Registered investment companies: Valued at quoted market prices that represent the net asset value of shares held by the Master Trust.

Interest bearing cash: Stated at cost which approximates fair value.

Other investments, net: Primarily valued at quoted market prices, when available, or valued based on matrices or models from reputable pricing vendors.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Progress Rail believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables summarize investments measured at fair value based on NAV per share using the practical expedient that have unfunded commitments or redemption restrictions as of December 31, 2017 and 2016.

(in thousands of dollars)

December 31, 2017	Fair Value	Unfunded Commitments	Redemption Restrictions	Redemption Frequency (if currently eligible)	Redemption Notice Period
Common collective trusts:					
Stocks	\$3,620,897	—	None	Daily	None
Short-term investments	\$337,455	—	None	Daily	None
U.S. Government securities	\$516,228	—	None	Daily	None
Private placement - Mortgages	\$32,047	—	Yes ¹	Monthly ¹	Yes ¹

¹ Redemptions allowed once per month and are restricted to available cash on hand as determined by the trustee of the fund. A notice of redemptions required five days prior to the last business day of the month.

(in thousands of dollars)

December 31, 2016	Fair Value	Unfunded Commitments	Redemption Restrictions	Redemption Frequency (if currently eligible)	Redemption Notice Period
Common collective trusts:					
Stocks	\$2,802,212	—	None	Daily	None
Short-term investments	\$317,384	—	None	Daily	None
U.S. Government securities	\$485,911	—	None	Daily	None
Private placement - Mortgages	\$28,069	—	Yes ¹	Monthly ¹	Yes ¹

¹ Redemptions allowed once per month and are restricted to available cash on hand as determined by the trustee of the fund. A notice of redemptions required five days prior to the last business day of the month.

The following table presents the changes in net assets for the Master Trust for the year ended December 31, 2017.
(in thousands of dollars)

Changes in Net Assets:					
Caterpillar Inc. common stock net appreciation (depreciation) in fair value of investments				\$ 1,213,648	
Net appreciation (depreciation) in fair value of investments				1,052,487	
Interest				56,058	
Caterpillar Inc. common stock dividends				61,146	
Dividends				31,297	
Net income			\$ 36,433	\$ 36,095	\$ 338 1%
Earnings per common share diluted			\$ 2.14	\$ 2.15	\$ (0.01) 0%

Net Sales by Segment

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

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Americas	\$ 169,881	\$ 179,867	\$ (9,986)	(6)%
Europe	125,400	110,367	15,033	14%
Asia-Pacific	41,128	31,282	9,846	31%
	\$ 336,409	\$ 321,516	\$ 14,893	5%

Americas

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

Fiscal Year Ended August 31,
Change from Prior Year

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	2011	2010	Dollars	Percent
Multi-purpose maintenance products	\$ 127,507	\$ 129,834	\$ (2,327)	(2)%
Homecare and cleaning products	42,374	50,033	(7,659)	(15)%
	\$ 169,881	\$ 179,867	\$ (9,986)	(6)%

% of consolidated net sales

51%

56%

Sales in the Americas segment, which includes the U.S., Canada and Latin America, decreased to \$169.9 million, down \$10.0 million, or 6%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2011 compared to the prior fiscal year.

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Sales of multi-purpose maintenance products in the Americas segment decreased \$2.3 million, or 2%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year. This sales decrease was primarily driven by lower sales of WD-40 products in the U.S., which were down 6% for the fiscal year ended August 31, 2011 compared to 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 partially offset by higher sales of these same products in Latin America and in Canada, which were both up by 14% primarily due to new distribution, a higher level of replenishment orders and increased promotional activities from period to period.

Sales of homecare and cleaning products in the Americas segment decreased \$7.7 million, or 15%, for the fiscal year ended August 31, 2011 compared to 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 and reduced product offerings. In addition, sales of such products have been negatively impacted by the volatility of orders from and the level of 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 18% from period to period. This sales decrease was driven primarily by lower sales of Spot Shot products, which were down 27% in the U.S. for the fiscal year ended August 31, 2011 compared to the prior fiscal year. This decrease in Spot Shot sales was due to several factors, including reduced 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 8%, from period to period due to competitive factors, category declines and lost distribution. Also contributing to the overall decline in sales of the homecare and cleaning products in the Americas segment was a decrease in the sales of our Carpet Fresh and X-14 brands, which totaled \$1.1 million, or 14%, and was primarily due to a lower level of product offerings carried by certain of our customers and the effect of competitive factors.

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 fiscal year ended August 31, 2011, compared to the distribution for the fiscal year ended August 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):

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Multi-purpose maintenance products	\$ 116,461	\$ 102,195	\$ 14,266	14%
Homecare and cleaning products	8,939	8,172	767	9%
	\$ 125,400	\$ 110,367	\$ 15,033	14%
% of consolidated net sales	37%	34%		

Sales in the Europe segment increased to \$125.4 million, up \$15.0 million, or 14%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2011 compared to the prior fiscal year had a favorable impact on sales. Sales for the fiscal year ended August 31, 2011 translated at the exchange rates in effect for the prior fiscal year would have been \$123.1 million in the Europe segment. Thus, on a constant currency basis, sales would have increased by \$12.7 million, or 12%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year.

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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 \$9.9 million, or 13%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year. We experienced sales growth throughout the Europe segment for the fiscal year ended August 31, 2011 compared to the prior fiscal year, with percentage increases in sales as follows: Italy, 31%; U.K., 17%; France, 13%; Germanics sales region, 10%; and Iberia, 1%.

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, increased volumes through existing distribution channels and a higher level of promotional activities. Sales from direct markets accounted for 68% of the Europe segment's sales for the fiscal year ended August 31, 2011 compared to 67% of the Europe segment's sales for the prior fiscal year.

In the countries in which we sell through local distributors, sales increased \$5.1 million, or 14%, for the fiscal year ended August 31, 2011 compared to 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 32% of the total Europe segment sales for the fiscal year ended August 31, 2011, compared to 33% for the prior fiscal year.

Asia-Pacific

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

	Fiscal Year Ended August 31,			
	2011	2010	Change from Prior Year Dollars	Percent
Multi-purpose maintenance products	\$ 34,795	\$ 26,066	\$ 8,729	33%
Homecare and cleaning products	6,333	5,216	1,117	21%
	\$ 41,128	\$ 31,282	\$ 9,846	31%
% of consolidated net sales	12%	10%		

Sales in the Asia-Pacific segment, which includes Asia and Australia, increased to \$41.1 million, up \$9.8 million, or 31%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2011 compared to the prior fiscal year had a favorable impact on sales. Sales for the fiscal year ended August 31, 2011 translated at the exchange rates in effect for the prior fiscal year would have been \$38.8 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$7.5 million, or 24%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year.

Sales in Asia, which represented 61% of the total sales in the Asia-Pacific segment, increased \$6.0 million, or 31%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year primarily due to the ongoing growth of our base business throughout the Asia region. The distributor markets in the Asia region experienced a sales increase of \$3.1 million, or 24%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year, primarily due to the continued growth of the WD-40 products throughout the distributor markets, including those in Indonesia, India and Taiwan. Sales in China increased \$2.9 million, or 46%, for the fiscal year ended August 31, 2011 compared to 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 \$3.8 million, or 32%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year partially due to the favorable impact of changes in foreign currency exchange rates. On a

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constant currency basis, sales would have increased \$1.8 million, or 15%, for the fiscal year ended August 31, 2011 compared to the prior fiscal year primarily due to improved economic conditions, promotional activities, new distribution and the ongoing growth of our base business.

Gross Profit

Gross profit increased to \$168.1 million for the fiscal year ended August 31, 2011 compared to \$165.3 million for the prior fiscal year. As a percentage of net sales, gross profit decreased to 50.0% for the fiscal year ended August 31, 2011 compared to 51.4% for the prior fiscal year due to a variety of items which partially offset each other, including costs associated with petroleum-based materials and aerosol cans, other raw materials and manufacturing costs, sales mix changes, changes in foreign currency exchange rates, sales price increases and the level of discounts offered to our customers.

Gross margin was negatively impacted by 1.4 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 such 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. In addition to increased costs associated with petroleum-based materials and aerosol cans, we also experienced higher costs associated with other raw materials and manufacturing costs, largely related to our Europe segment, which negatively impacted gross margin by 0.3 percentage points from period to period.

Sales mix changes negatively impacted gross margin by 0.5 percentage points for the fiscal year ended August 31, 2011 compared to the prior fiscal year. In addition, changes in foreign currency exchange rates negatively impacted gross margin by 0.2 percentage points.

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 in certain locations and markets during fiscal year 2011 positively affected gross margin by 0.5 percentage points. Advertising, promotional and other discounts decreased during the fiscal year ended August 31, 2011 compared to the prior fiscal year positively impacting gross margin by 0.3 percentage points. The decrease in such discounts was due to the fact that a lower percentage of sales during fiscal year 2011 was subject to promotional allowances compared to 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. In addition, other miscellaneous items when combined positively impacted gross margin by 0.2 percentage points from period to period.

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 \$15.0 million and \$13.6 million for the fiscal years ended August 31, 2011 and 2010, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses remained constant at \$87.3 million for the fiscal years ended August 31, 2011 and 2010. As a percentage of net sales, SG&A expenses decreased to 26.0% for the fiscal year ended August 31, 2011 from 27.2% for the prior fiscal year. Although total SG&A expenses remained constant year over year, various components within SG&A expenses increased for the fiscal year ended

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August 31, 2011 compared to the prior fiscal year. These increases in SG&A expenses were 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. Professional services costs increased \$1.5 million due to higher legal and consulting fees. Freight costs increased \$1.0 million primarily due to increased diesel costs and higher sales volumes for the fiscal year ended August 31, 2011 compared to the prior fiscal year. Travel and meeting expenses increased \$0.8 million due to a higher level of travel expenses associated with the ongoing support of our strategic initiatives. Office overhead expenses increased \$0.5 million primarily due to repairs required at our Memphis warehouse facility. Changes in foreign currency exchange rates increased SG&A expenses by \$1.4 million for the fiscal year ended August 31, 2011 compared to the prior fiscal year. Other miscellaneous expenses, which primarily include broker sales commissions and bad debt expense increased by \$0.1 million period over period.

The increases in SG&A expenses described above were fully 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 \$5.3 million for the fiscal year ended August 31, 2011 compared to the prior fiscal year primarily due to lower bonus expense. In fiscal year 2011, certain of our business segments did not achieve the sales and other profit performance metrics required to trigger payout of bonuses. As a result, bonus expense and the related fringe benefit expense decreased \$7.6 million for the fiscal year ended August 31, 2011 compared to the prior fiscal year. This decrease in bonus expense from period to period was slightly offset by a \$2.3 million increase in employee-related costs as a result of increased staffing levels in fiscal year 2011 and the 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 in support of our focus on innovation and renovation of our products. Research and development costs for the fiscal years ended August 31, 2011 and 2010 were \$5.5 million and \$5.3 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.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the fiscal year ended August 31, 2011 increased \$3.0 million, or 14%, to \$25.1 million from \$22.1 million for the prior fiscal year. As a percentage of net sales, these expenses increased to 7.5% for the fiscal year ended August 31, 2011 from 6.9% for 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 had an unfavorable impact of \$0.3 million on advertising and sales promotion expenses for the fiscal year ended August 31, 2011 compared to the prior fiscal year. Thus, on a constant currency basis, advertising and sales promotion expenses for the fiscal year ended August 31, 2011 would have been \$24.8 million resulting in an increase in such expenses of \$2.7 million period over period. Investment in global advertising and sales promotion expenses for fiscal year 2012 is expected to be in the range of 6.5% to 8.0% 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 were \$18.8 million and \$18.4 million for the fiscal years ended August 31, 2011 and 2010. Therefore, our total investment in advertising and sales promotion activities totaled \$43.9 million and \$40.5 million for the fiscal years ended August 31, 2011 and 2010, respectively.

Table of Contents***Amortization of Definite-lived Intangible Assets Expense***

Amortization of our definite-lived intangible assets was \$1.5 million and \$0.7 million for the fiscal years ended August 31, 2011 and 2010, respectively. The increase in amortization for the fiscal year ended August 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 fiscal year ended August 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 expense 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):

	Fiscal Year Ended August 31,		
	2011	2010	Change
Interest income	\$ 228	\$ 174	\$ 54
Interest expense	\$ 1,076	\$ 1,726	\$ (650)
Other income (expense), net	\$ 247	\$ (89)	\$ 336
Provision for income taxes	\$ 17,098	\$ 17,462	\$ (364)

Interest Income

Interest income increased \$0.1 million for the fiscal year ended August 31, 2011 compared to the prior fiscal year primarily due to slightly higher average cash balances and interest rates during fiscal year 2011 compared to the prior fiscal year.

Interest Expense

Interest expense decreased \$0.7 million for the fiscal year ended August 31, 2011 compared to 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 (Expense), Net

Other income (expense), net increased by \$0.3 million for the fiscal year ended August 31, 2011 compared to the prior fiscal year due to higher foreign currency exchange gains in fiscal year 2011 as compared to foreign currency exchange losses in the prior fiscal year primarily related to the Euro and Pound Sterling.

Provision for Income Taxes

The provision for income taxes was 31.9% of income before income taxes for the fiscal year ended August 31, 2011 compared to 32.6% for the prior fiscal year. The decrease in the effective rate was primarily due to the increase in the percentage benefit from the qualified domestic production deduction which increased from 6% to 9% of qualified production activities income from period to period. The decrease was also attributable to the reinstatement of the research and experimentation credit during the fiscal year ended August 31, 2011 as well as the increasing proportion of the Company's earnings which are foreign and are taxed at lower rates.

Table of Contents***Net Income***

Net income was \$36.4 million, or \$2.14 per common share on a fully diluted basis, for fiscal year 2011 compared to \$36.1 million, or \$2.15 per common share on a fully diluted basis, for the prior fiscal year. Changes in foreign currency exchange rates year over year had a favorable impact of \$0.8 million on net income for fiscal year 2011. Thus, on a constant currency basis, net income for fiscal year 2011 would have been \$35.6 million.

Fiscal Year Ended August 31, 2010 Compared to Fiscal Year Ended August 31, 2009**Operating Items**

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

	Fiscal Year Ended August 31,			
	2010	2009	Change from Prior Year Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$ 258,095	\$ 225,098	\$ 32,997	15%
Homecare and cleaning products	63,421	66,904	(3,483)	(5)%
Total net sales	321,516	292,002	29,514	10%
Cost of products sold	156,210	147,469	8,741	6%
Gross profit	165,306	144,533	20,773	14%
Operating expenses	110,108	104,688	5,420	5%
Income from operations	\$ 55,198	\$ 39,845	\$ 15,353	39%
Net income	\$ 36,095	\$ 26,287	\$ 9,808	37%
Earnings per common share diluted	\$ 2.15	\$ 1.58	\$ 0.57	36%

Net Sales by Segment

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

	Fiscal Year Ended August 31,			
	2010	2009	Change from Prior Year Dollars	Percent
Americas	\$ 179,867	\$ 168,381	\$ 11,486	7%
Europe	110,367	97,518	12,849	13%
Asia-Pacific	31,282	26,103	5,179	20%
	\$ 321,516	\$ 292,002	\$ 29,514	10%

Americas

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

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	Fiscal Year Ended August 31,			
	2010	2009	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 129,834	\$ 115,095	\$ 14,739	13%
Homecare and cleaning products	50,033	53,286	(3,253)	(6)%
	\$ 179,867	\$ 168,381	\$ 11,486	7%
% of consolidated net sales	56%	58%		

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Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to \$179.9 million, up \$11.5 million, or 7%, for fiscal year 2010 compared to fiscal year 2009. Changes in foreign currency exchange rates did not have a material impact on sales for fiscal year 2010 compared to fiscal year 2009.

Sales of multi-purpose maintenance products in the Americas segment increased \$14.7 million, or 13%, for fiscal year 2010 compared to fiscal year 2009. Sales of WD-40 products in the Americas segment increased \$14.3 million, or 13%, for fiscal year 2010 compared to fiscal year 2009 due to improved economic conditions, increased volume through existing distribution channels, new distribution and increased promotional activities.

Sales of homecare and cleaning products in the Americas segment decreased \$3.3 million, or 6%, for fiscal year 2010 compared to fiscal year 2009. Although our focus has shifted to our multi-purpose maintenance products, we were still able to either stabilize or increase the sales of certain of our homecare and cleaning products in fiscal year 2010 by pursuing our niche markets or expanding our distribution channels. However, this increase was more than offset by the decrease in sales of all other homecare and cleaning product brands in the Americas segment. The largest decline came from the automatic toilet bowl cleaners which decreased \$1.9 million, or 10%, for fiscal year 2010 compared to fiscal year 2009 due primarily to the effect of competitive factors and declining categories which was partially offset by new distribution outside of the grocery channel. The decline in sales of the Carpet Fresh brand products and X-14 mildew stain remover, which totaled \$1.8 million, or 18%, was the result of several factors, including lost distribution, the discontinuation of certain product offerings, the effect of competitive factors and our strategic decision to focus our research and development resources on our multi-purpose maintenance products and not on our homecare and cleaning products.

For the Americas segment, 83% of sales came from the U.S. and 17% of sales came from Canada and Latin America combined for fiscal year 2010 compared to the distribution for fiscal year 2009 when 84% of sales came from the U.S. and 16% 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):

	Fiscal Year Ended August 31,			
	2010	2009	Change from Prior Year Dollars	Percent
Multi-purpose maintenance products	\$ 102,195	\$ 88,153	\$ 14,042	16%
Homecare and cleaning products	8,172	9,365	(1,193)	(13)%
	\$ 110,367	\$ 97,518	\$ 12,849	13%
% of consolidated net sales	34%	33%		

Sales in the Europe segment increased to \$110.4 million, up \$12.8 million, or 13%, for fiscal year 2010 compared to fiscal year 2009. Changes in foreign currency exchange rates did not have a material impact on sales for fiscal year 2010 compared to fiscal year 2009.

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 and Switzerland). Overall, sales from these direct markets increased \$6.6 million, or 10%, for fiscal year 2010 compared to fiscal year 2009 and accounted for 67% of the Europe segment's sales for fiscal year 2010 compared to 69% for fiscal year 2009. We experienced sales growth throughout most of the Europe segment for fiscal year 2010 compared to fiscal year 2009, with percentage increases in sales as follows: Italy, 30%; Iberia, 26%; Germanics sales region, 20%; and France, 19%. Partially offsetting these sales increases was a sales decrease in the U.K. of 10% for fiscal year 2010 compared to fiscal year 2009.

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The sales growth in the direct markets throughout the Europe segment was primarily due to the continued growth of the WD-40 Smart Straw product and new distribution. Other factors that positively impacted sales growth were improved economic conditions, increased volume through existing distribution channels and increased promotional activities. In addition, France and Iberia benefited from the continued growth of the 3-IN-ONE product line. The sales decline in the U.K. was primarily due to lost distribution and the effect of competitive factors.

In the countries in which we sell through local distributors, sales increased \$6.2 million, or 21%, for fiscal year 2010 compared to fiscal year 2009, driven by sales increases of the WD-40 products in Northern Europe and the Middle East. The distributor markets accounted for 33% of the total Europe segment sales for fiscal year 2010 compared to 31% for fiscal year 2009.

Asia-Pacific

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

	Fiscal Year Ended August 31,			
	2010	2009	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 26,066	\$ 21,850	\$ 4,216	19%
Homecare and cleaning products	5,216	4,253	963	23%
	\$ 31,282	\$ 26,103	\$ 5,179	20%
% of consolidated net sales	10%	9%		

Sales in the Asia-Pacific segment, which includes Asia and Australia, increased to \$31.3 million, up \$5.2 million, or 20%, for fiscal year 2010 compared to fiscal year 2009. Changes in foreign currency exchange rates compared to the prior fiscal year had a favorable impact on sales. Sales for fiscal year 2010 translated at the exchange rates in effect for fiscal year 2009 would have been \$29.1 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$3.0 million, or 12%, for fiscal year 2010 compared to fiscal year 2009.

Sales in Asia, which represented 62% of the total sales in the Asia-Pacific segment, increased \$2.5 million, or 15%, for fiscal year 2010 compared to fiscal year 2009 primarily due to improved economic conditions throughout the Asia region. The distributor markets in the Asia region experienced a sales increase of \$1.2 million, or 10%, due to higher sales of multi-purpose maintenance products throughout the distributor markets, including those in the Philippines, Taiwan, Indonesia, Hong Kong and Singapore. Sales in China increased \$1.3 million, or 28%, due to improved economic conditions, significant promotional activities and the launch of a new product in the 3-IN-ONE product line during fiscal year 2010.

Sales in Australia increased \$2.7 million, or 29%, for fiscal year 2010 compared to fiscal year 2009 primarily due to the favorable impact of changes in foreign currency exchange rates. On a constant currency basis, sales would have increased \$0.5 million, or 6%, for fiscal year 2010 compared to fiscal year 2009 primarily due to increased marketing and promotional activities.

Gross Profit

Gross profit was \$165.3 million, which yielded a gross margin of 51.4% of net sales, for fiscal year 2010 compared to \$144.5 million, or 49.5% of net sales, for fiscal year 2009. Cost savings from product conversions and sourcing changes on a combined basis and the lower costs for petroleum-based materials positively impacted gross margin by 0.6 percentage points and 0.5 percentage points, respectively, for fiscal year 2010. In addition, worldwide price increases implemented during the first quarter of fiscal year 2009 added 0.4 percentage points to our gross margin for fiscal year 2010.

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In general, the timing of advertising, promotional and other discounts, which are recorded as a reduction to sales, as well as shifts in product and customer mix, 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. During fiscal year 2010, advertising, promotional and other discounts decreased compared to fiscal year 2009, 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 fiscal year 2010 was subject to promotional allowances compared to fiscal year 2009. In addition, sales mix favorably impacted gross margin by 0.6 percentage points.

Our gross margin for fiscal year 2010 was also positively impacted by 0.1 percentage points due to losses associated with VML Company L.L.C. (VML), a former related party, which were incurred in fiscal year 2009 but not in fiscal year 2010.

Partially offsetting the aforementioned favorable impacts to gross margin were higher costs for aerosol cans, which negatively affected our gross margin by 1.1 percentage points for fiscal year 2010. We began to experience a significant increase in the cost of aerosol cans during the second quarter of fiscal year 2009, due to the cost of tinplate used to manufacture such cans. Although the cost of aerosol cans decreased in fiscal year 2010, the decrease was minimal. Tinplate pricing is generally set annually and is independent of the movements in the cost of steel on the spot market.

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 \$13.6 million and \$13.3 million for the fiscal years ended August 31, 2010 and 2009, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal year 2010 increased \$9.2 million, or 12%, to \$87.3 million from \$78.1 million for fiscal year 2009. As a percentage of net sales, SG&A expenses increased slightly to 27.2% for fiscal year 2010 from 26.7% for fiscal year 2009. The increase in SG&A expenses was primarily due to higher employee-related costs year over year. Employee-related costs, which include salaries, bonuses, profit sharing and other fringe benefits, increased \$8.3 million for fiscal year 2010 compared to fiscal year 2009 due primarily to significantly higher bonus expense. Most of our regions met or exceeded sales and other profit performance targets for fiscal year 2010 whereas achievement of such targets in fiscal year 2009 was unusually low. As a result, bonus expense for fiscal year 2010 reflects these higher levels of achievement. Changes in foreign currency exchange rates increased SG&A expenses by \$0.7 million for fiscal year 2010 compared to fiscal year 2009. Also contributing to the higher SG&A expenses in fiscal year 2010 as compared to fiscal year 2009 was a \$0.9 million increase in travel and entertainment expenses due to improved business conditions. Additionally, other miscellaneous expenses when combined increased \$0.2 million year over year. Partially offsetting these increases was a decrease in professional services costs totaling \$0.5 million due primarily to lower legal costs for fiscal year 2010 compared to fiscal year 2009. In addition, bad debt expense decreased \$0.4 million due primarily to specific accounts receivable allowances recorded by our international subsidiaries during fiscal year 2009 which were not repeated during fiscal year 2010.

We continued our research and development investment in support of our focus on innovation and renovation of our products. Research and development costs for the fiscal year ended August 31, 2010 and 2009 were \$5.3 million and \$4.8 million, respectively.

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

Advertising and sales promotion expenses for fiscal year 2010 increased \$2.6 million, or 13%, to \$22.1 million from \$19.5 million for fiscal year 2009. As a percentage of net sales, these expenses increased to 6.9% for fiscal year 2010 from 6.7% for fiscal year 2009. The increase in advertising and sales promotion expenses was primarily due to the timing of sales promotions and the increased level of investment in advertising activities across all segments.

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 were \$18.4 million for each of the fiscal years ended August 31, 2010 and 2009. Therefore, our total investment in advertising and sales promotion activities totaled \$40.5 million and \$37.9 million for the fiscal years ended August 31, 2010 and 2009, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets was \$0.7 million and \$0.5 million for fiscal years 2010 and 2009, respectively. The increase in amortization for fiscal year 2010 as compared to fiscal year 2009 relates to the Carpet Fresh and X-14 trade names which were changed to definite-lived intangible assets from indefinite-lived intangible assets at August 31, 2009. The amortization for fiscal year 2009 related only to the non-contractual customer relationships included in the 1001 acquisition completed by the Europe segment in fiscal year 2004.

Beginning September 1, 2009, 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 recorded and amortized in Pounds Sterling on a straight-line basis over its estimated eight-year life and is 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.

Impairment of Indefinite-lived Intangible Assets Expense

During the quarter ended February 28, 2010, we performed our annual impairment tests of goodwill and indefinite-lived intangible assets. As a result of our annual impairment tests, no impairment charge was recorded for either our goodwill or any of our indefinite-lived intangible assets. However, as a result of the annual impairment tests that we performed during fiscal year 2009, we recorded impairment charges totaling \$6.7 million to reduce the carrying value of our Carpet Fresh and X-14 indefinite-lived intangible assets to their estimated fair values. We subsequently determined that the Carpet Fresh and X-14 trade names were no longer indefinite-lived intangible assets. As a result, we reclassified them to definite-lived intangible assets effective August 31, 2009 and started to amortize them over their expected useful lives of thirteen and eight years, respectively, beginning September 1, 2009.

Non-Operating Items

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

	Fiscal Year Ended August 31,		
	2010	2009	Change
Interest income	\$ 174	\$ 428	\$ (254)
Interest expense	\$ 1,726	\$ 2,492	\$ (766)
Other (expense) income, net	\$ (89)	\$ 543	\$ (632)
Provision for income taxes	\$ 17,462	\$ 12,037	\$ 5,425

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Interest Income

Interest income decreased \$0.3 million for fiscal year 2010 compared to fiscal year 2009 due primarily to lower interest rates year over year.

Interest Expense

Interest expense decreased by \$0.8 million for fiscal year 2010 compared to fiscal year 2009 due primarily to the lower principal balance on long-term borrowings resulting from the annual \$10.7 million principal payment made in October 2009.

Other (Expense) Income, Net

Other (expense) income, net decreased by \$0.6 million for fiscal year 2010 compared to fiscal year 2009 due primarily to lower foreign currency exchange gains in the Europe segment, specifically related to the Euro and Pound Sterling.

Provision for Income Taxes

The provision for income taxes was 32.6% of income before income taxes for fiscal year 2010 compared to 31.4% for fiscal year 2009. The effective tax rate was lower than normal for both fiscal years. For fiscal year 2010, the effective tax rate was low due to the release of liabilities associated with unrecognized tax benefits that resulted from the conclusion of the audit of our fiscal year 2008 federal income tax return, the expiration of certain statutes due to certain tax years being closed and other provision adjustments that we recorded during the third quarter of fiscal year 2010 related to the filing of our federal and state tax returns. For fiscal year 2009, the effective tax rate was lower than normal primarily due to a one time California tax law change that occurred in the second quarter of fiscal year 2009. This law change caused a revaluation of our deferred tax assets and liabilities that resulted in a tax benefit of \$0.5 million in fiscal year 2009.

Net Income

Net income was \$36.1 million, or \$2.15 per common share on a fully diluted basis, for fiscal year 2010 compared to \$26.3 million, or \$1.58 per common share on a fully diluted basis, for fiscal year 2009. Changes in foreign currency exchange rates year over year had a favorable impact of \$0.5 million on net income for fiscal year 2010. Thus, on a constant currency basis, net income for fiscal year 2010 would have been \$35.6 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, impairment of indefinite-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.

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The following table summarizes the results of these performance measures:

	Fiscal Year Ended August 31,		
	2011	2010	2009
Gross margin	50%	51%	50%
Cost of doing business as a percentage of net sales	33%	34%	33%
EBITDA as a percentage of net sales	17%	18%	15%

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)

	Fiscal Year Ended August 31,		
	2011	2010	2009
Total operating expenses GAAP	\$ 113,980	\$ 110,108	\$ 104,688
Amortization of definite-lived intangible assets	(1,537)	(724)	(468)
Impairment of indefinite-lived intangible assets			(6,710)
Depreciation (in operating departments)	(1,637)	(1,560)	(1,557)
Cost of doing business	\$ 110,806	\$ 107,824	\$ 95,953
Net sales	\$ 336,409	\$ 321,516	\$ 292,002
Cost of doing business as a percentage of net sales	33%	34%	33%

EBITDA (in thousands, except percentages)

	Fiscal Year Ended August 31,		
	2011	2010	2009
Net income GAAP	\$ 36,433	\$ 36,095	\$ 26,287
Provision for income taxes	17,098	17,462	12,037
Interest income	(228)	(174)	(428)
Interest expense	1,076	1,726	2,492
Amortization of definite-lived intangible assets	1,537	724	468
Depreciation	2,849	3,524	3,259
EBITDA	\$ 58,765	\$ 59,357	\$ 44,115
Net sales	\$ 336,409	\$ 321,516	\$ 292,002
EBITDA as a percentage of net sales	17%	18%	15%

Liquidity and Capital Resources**Overview**

The Company's financial condition and liquidity remain strong. Net cash provided by operations was \$30.0 million for fiscal year 2011 compared to \$56.4 million for fiscal year 2010. 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.

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Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations and cash available from our revolving credit facility. Previously, we had a revolving credit facility with Union Bank, N.A. in the amount of \$10.0 million, which was terminated effective on June 17, 2011 when we entered into a \$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 credit facility with Bank of America.

The outstanding indebtedness under our original \$75.0 million, 7.28% fixed-rate term loan was \$10.7 million as of August 31, 2011. The final payment on this term loan is due in October 2011. See Note 17 Subsequent Events in Item 15 of this report for details on this final payment.

We plan to use the proceeds of the revolving credit facility with Bank of America for our share repurchases and general working capital needs. In July 2011, we drew \$5.0 million under the revolving credit facility with Bank of America. We repaid this \$5.0 million short-term loan and the associated interest with cash on hand in August 2011. Thus, there was no outstanding balance on the revolving credit facility as of August 31, 2011. Until the time at which the \$75.0 million term note is paid in full, the revolving credit facility is subject to the same debt covenants as the term loan agreement. The term loan agreement has covenant requirements, which require us to maintain minimum consolidated net worth greater than the sum of \$57.0 million plus 25% of consolidated net income for each fiscal quarter beginning with the first fiscal quarter of 2002, plus proceeds of all equity securities other than those issued under our prior stock option plan and current stock incentive plan. A consolidated fixed charge coverage ratio in the range of 1.20 to 1.00 on the last day of any fiscal quarter must be maintained. The consolidated fixed charge coverage ratio is calculated by dividing earnings before interest, taxes, depreciation and amortization and rent expense minus cash payments for income taxes and capital expenditure by total cash payments for rent, principal and interest. We are also limited to a leverage ratio ranging from 2.25 to 1.00, which is calculated by dividing total debt by earnings before interest, taxes, depreciation and amortization, measured on a trailing four quarter basis at each reporting period. Once the term loan agreement is paid in full, the Bank of America agreement requires us to maintain a minimum consolidated earnings before interest, income taxes, depreciation and amortization of \$40.0 million, measured on a trailing twelve month basis, at each reporting period.

At August 31, 2011, we were in compliance with all debt covenants as required by the term loan agreement and the revolving credit facility and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future.

At August 31, 2011, we had a total of \$56.4 million in cash and cash equivalents. Of this balance, \$46.6 million was held in Europe, Australia and China in foreign currencies. It is our intention to indefinitely reinvest all current and future foreign earnings at these locations in order to ensure sufficient working capital, expand operations and fund foreign acquisitions in these locations. We believe that our future cash from domestic operations together with our access to funds available under our unsecured revolving credit facility will provide adequate resources to fund both short-term and long-term operating requirements, capital expenditures, acquisitions and new business development activities in the United States. In the event that management elects in the future to repatriate some or all of the foreign earnings that were previously deemed to be indefinitely reinvested outside of the United States, we would incur additional tax expense upon such repatriation.

We believe that these existing consolidated cash and cash equivalents at August 31, 2011, the liquidity provided by our \$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, debt covenants and any other relevant considerations currently facing our business.

Table of Contents**Cash Flows**

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

	Fiscal Year Ended August 31,		
	2011	2010	2009
Net cash provided by operating activities	\$ 30,009	\$ 56,424	\$ 34,628
Net cash used in investing activities	(3,220)	(1,553)	(2,753)
Net cash used in financing activities	(48,933)	(23,575)	(25,864)
Effect of exchange rate changes on cash and cash equivalents	2,609	(1,324)	(2,038)
Net (decrease) increase in cash and cash equivalents	\$ (19,535)	\$ 29,972	\$ 3,973

Operating Activities

Net cash provided by operating activities decreased \$26.4 million to \$30.0 million for fiscal year 2011 from \$56.4 million for fiscal year 2010. Cash provided by operating activities decreased for fiscal year 2011 as compared to fiscal year 2010 due to changes in operating assets and liabilities, primarily changes in trade accounts receivable, accrued payroll and related expenses, inventories, accounts payable and accrued liabilities. Trade accounts receivable increased primarily due to higher sales volumes in the fourth quarter of fiscal year 2011 compared to the fourth quarter of the prior fiscal year. Accrued payroll and related expenses decreased from year to year 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 prior fiscal year and lower bonus accruals for the current fiscal year. Inventories increased due to additional purchases in support of the WD-40 Specialist line, which was launched in September 2011, and promotions in the upcoming quarters. Accounts payable and accrued liabilities increased from year to year due primarily to the increase in accounts payable balances resulting from increased business activities and the timing of payments.

Also contributing to the overall change in cash provided by operating activities was the impact of changes in various account balances related to income taxes from period to period as a result of the year-end provision for income taxes. These entries resulted in changes to account balances for other assets, deferred tax assets and liabilities, income taxes payable and deferred and other long-term liabilities. See Note 8 Income Taxes included in Item 15 of this report for additional details.

Net cash provided by operating activities increased \$21.8 million to \$56.4 million for fiscal year 2010 from \$34.6 million for fiscal year 2009. Cash provided by operating activities increased for fiscal year 2010 as compared to fiscal year 2009 due to an increase in net income and changes in assets and liabilities, primarily changes in accounts payable and accrued liabilities, accrued payroll and related expenses, deferred and other long-term liabilities and income taxes payable. Accounts payable and accrued liabilities increased significantly from year to year due primarily to the increase in accounts payable balances resulting from increased business activities and the timing of payments. Accrued payroll and related expenses increased from year to year due to a higher level of bonus accruals recorded during fiscal year 2010 compared to fiscal year 2009 and the timing of payments for both the bonus and profit sharing plans. Bonus accruals were higher during fiscal year 2010 as most regions met or exceeded sales and other profit performance targets in fiscal year 2010 whereas achievement of such targets were unusually low in fiscal year 2009. Deferred and other long-term liabilities increased for fiscal year 2010 as compared to fiscal year 2009 primarily due to an increase in long-term income taxes payable related to uncertain tax positions. Partially offsetting these increases from year to year was a decrease in income taxes payable due to the timing of payments as compared to income tax accruals and the final year-end tax provision entries.

Investing Activities

Net cash used for investing activities increased \$1.6 million to \$3.2 million for the fiscal year 2011 from \$1.6 million for fiscal year 2010 due primarily to higher purchases of property and equipment. Purchases of property

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and equipment during fiscal year 2011 were primarily for machinery and equipment, computer equipment and software. Also contributing to the increase in net cash used for investing activities was the purchase of \$0.5 million in short-term investments during fiscal year 2011.

Net cash used in investing activities decreased \$1.2 million to \$1.6 million for fiscal year 2010 from \$2.8 million for fiscal year 2009 due primarily to lower purchases of property and equipment. Purchases of property and equipment during fiscal year 2010 were primarily for machinery and equipment to enhance manufacturing efficiencies, computer equipment and software. Purchases of property and equipment for fiscal year 2009 were higher primarily due to an increased level of purchases of machinery and equipment in support of manufacturing activities, particularly those related to Smart Straw.

Financing Activities

Net cash used for financing activities increased \$25.3 million to \$48.9 million for the fiscal year 2011 from \$23.6 million for fiscal year 2010 due primarily to \$41.4 million of treasury stock purchases which were transacted during the second, third and fourth quarters of fiscal year 2011. The treasury stock purchases were partially offset by an increase of \$16.6 million from period to period in proceeds from the issuance of common stock upon the exercise of stock options.

Net cash used in financing activities decreased \$2.3 million to \$23.6 million for fiscal year 2010 from \$25.9 million for fiscal year 2009 due primarily to 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. dollar 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. dollar 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 \$2.6 million for fiscal year 2011, a decrease of \$1.3 million for fiscal year 2010, and a decrease of \$2.0 million for fiscal year 2009. These changes from period to period are primarily due to the significant fluctuations in the foreign currency exchange rates for the Pound Sterling against the U.S. Dollar. The Pound Sterling to U.S. Dollar exchange rate increased from 1.5514 to 1.6352 during fiscal year 2011, decreased from 1.6275 to 1.5514 during fiscal year 2010 and decreased from 1.8190 to 1.6275 during fiscal year 2009.

Share Repurchase Plans

On December 8, 2009, the Company's Board of Directors approved a share buy-back plan. Under the plan, which was in effect for up to twelve months from the date of approval, the Company was authorized to acquire up to \$15.0 million of our outstanding shares. The Company did not purchase any shares under this share buy-back plan.

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was to be in effect through December 13, 2011, and authorized the Company to acquire up to \$25.0 million of its outstanding shares. On April 4, 2011, the Company's Board of Directors approved an increase to this 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. Under the plan, the Company is authorized to acquire 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. During the period from December 14, 2010 through August 31, 2011, the Company repurchased 1,017,457 shares at a total cost of \$41.4 million.

Table of Contents**Dividends**

The Company has historically paid regular quarterly cash dividends on its common stock. On October 7, 2011, the Company's Board of Directors declared a cash dividend of \$0.27 per share payable on October 31, 2011 to shareholders of record on October 18, 2011. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and debt covenants.

Off-Balance Sheet Arrangements

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

Contractual Obligations

The following table sets forth our best estimates as to the amounts and timing of minimum contractual payments for our most significant contractual obligations and commitments as of August 31, 2011 for the next five years and thereafter (in thousands). Future events could cause actual payments to differ significantly from these amounts.

	Total	1 year	2-3 years	4-5 years	Thereafter
Term loan	\$ 10,715	\$ 10,715	\$	\$	\$
Interest payments on term loan	195	195			
Operating leases	4,354	1,629	1,669	612	444
Supplemental employee retirement plan benefits obligation ⁽¹⁾	996	147	146	124	579
Total	\$ 16,260	\$ 12,686	\$ 1,815	\$ 736	\$ 1,023

⁽¹⁾ Represents commitments to certain retired key executives under the Company's supplemental employee retirement plan. The present value of all future benefit payments was \$0.7 million as of August 31, 2011. See Note 15 - Other Benefit Plans included in Item 15 of this report for additional details.

The following summarizes other commitments which are excluded from the contractual obligations table above as of August 31, 2011:

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 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.

Under the terms of the credit facility agreement with Bank of America, we may borrow funds in U.S. dollars or in foreign currencies from time to time during the three-year period commencing June 17, 2011 through June 17, 2014. Based on our most recent cash projection, we expect to borrow amounts against this credit facility ranging from \$35.0 million to \$40.0 million in fiscal year 2012. We estimate that the interest associated with these borrowings will be approximately \$0.5 million for fiscal year 2012 based on the applicable interest rates and the expected payment dates of such borrowings.

At August 31, 2011, the liability recorded for uncertain tax positions, excluding associated interest and penalties, was approximately \$1.4 million. We have 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.

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Critical Accounting Policies

Our results of operations and financial condition, as reflected in our consolidated financial statements, have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of financial statements requires us to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. We use historical experience and other relevant factors when developing estimates and assumptions and these estimates and assumptions are continually evaluated. Note 2 to our consolidated financial statements included in Item 15 of this report includes a discussion of significant accounting policies. The accounting policies discussed below are the ones we consider to be most critical to an understanding of our consolidated financial statements because their application places the most significant demands on our judgment. Our financial results may have varied from those reported had different assumptions been used or other conditions prevailed. Our critical accounting policies have been reviewed with the Audit Committee of the Board of Directors.

Revenue Recognition and Sales Incentives

Sales are recognized as revenue at the time of delivery to the customer when risks of loss and title have passed. Sales are recorded net of allowances for damaged goods and other sales returns, sales incentives, trade promotions and cash discounts. We must make judgments and certain assumptions in order to determine when delivery has occurred. Through an analysis of end-of-period shipments, we determine an average time of transit of product to our customers, and this is used to estimate the time of delivery. Differences in judgments or estimates related to the lengthening or shortening of the estimated delivery time used could result in material differences in the timing of revenue recognition.

Sales incentives are also recorded as a reduction of sales in our consolidated statements of operations. Sales incentives include on-going trade promotion programs with customers and consumer coupon programs that require us to estimate and accrue the expected costs of such programs. These programs include cooperative marketing programs, shelf price reductions, coupons, rebates, consideration and allowances given to retailers for shelf space and/or favorable display positions in their stores and other promotional activities. Costs related to these sales incentive programs, with the exception of coupon costs, are recorded as a reduction to sales upon delivery of products to customers. Coupon costs are based upon historical redemption rates and are recorded as a reduction to sales as incurred, which is when the coupons are circulated.

Sales incentives are calculated based primarily on historical rates and consideration of recent promotional activities. The determination of sales incentive costs and the related liabilities require us to use judgment for estimates that include current and past trade promotion spending patterns, status of trade promotion activities and the interpretation of historical spending trends by customer and category. We review our assumptions and adjust our reserves accordingly on a quarterly basis. Our consolidated financial statements could be materially impacted if the actual promotion rates are different from the estimated rates. If our accrual estimates for sales incentives at August 31, 2011 were to differ by 10%, the impact on net sales would be approximately \$0.7 million.

Allowance for Doubtful Accounts

The preparation of our financial statements requires us to make certain estimates and assumptions related to the collectability of our accounts receivable balances. We specifically analyze historical bad debts, customer credit worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. We review our accounts receivable balances and our assumptions used to determine their collectability on a periodic basis and adjust our allowance for doubtful accounts accordingly on a quarterly basis.

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Accounting for 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, we provide 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. We recognize 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. We determine whether our foreign subsidiaries will invest their undistributed earnings indefinitely based on the capital needs of the foreign subsidiaries. We reassess this determination each reporting period. Changes to this determination may be warranted based on our experience as well as plans regarding future international operations and expected remittances.

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 fair value concepts of a market participant and the highest and best use for our intangible assets.

Goodwill

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.

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.

During our impairment tests performed in fiscal years 2010 and 2009, we also did not identify or record any impairment losses related to our goodwill.

Indefinite-lived Intangible Assets

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

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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. 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.

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.

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 circumstances 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 is being amortized on a straight-line basis effective March 1, 2011.

Although we did not identify or record any impairment to our indefinite-lived intangible assets in fiscal year 2010, we determined that certain of our indefinite-lived intangible assets were impaired in fiscal year 2009. As a result of our annual impairment test and the subsequent events and circumstances driven impairment tests that we

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conducted during fiscal year 2009, we identified and recorded total impairment charges related to our Carpet Fresh and X-14 brands of \$6.1 million and \$0.6 million, respectively. This impairment was 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 the Company's strategic decision to focus its research and development resources on its multi-purpose maintenance product. While conducting the subsequent events and circumstances driven impairment test in the fourth quarter of fiscal year 2009, we also 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.

Recently Issued Accounting Standards

In September 2011, the Financial Accounting Standards Board (FASB) issued updated authoritative guidance to amend the standard for the goodwill impairment test. The amendments will allow companies to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Companies no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The updated authoritative guidance will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We are currently evaluating the potential impact, if any, of the adoption of this guidance on the process and procedures for our goodwill impairment test.

In June 2011, the 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. We are currently evaluating the potential impact, if any, of the adoption of this updated authoritative guidance on our 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. We have evaluated this updated authoritative guidance, and we do not expect the adoption of this guidance to have a material impact on our 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

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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 our 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 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 have evaluated this updated authoritative guidance, and we do not expect the adoption of this guidance to have a material impact on our consolidated financial statement disclosures.

Related Parties

Prior to July 1, 2009, we owned a 30% membership interest in VML Company L.L.C. (VML). VML made profit distributions to us and the 70% owner on a discretionary basis in proportion to each party's respective interest. VML served as one of our contract manufacturers for certain homecare and cleaning products. We entered into a Settlement Agreement and Mutual General Release with VML effective July 1, 2009. As a result, VML is no longer a related party.

We recorded equity losses related to our investment in VML of \$0.4 million for fiscal year 2009. This amount was recorded as a component of cost of products sold as VML acted primarily as a contract manufacturer to the Company. Cost of products sold that were purchased from VML, net of rebates and equity earnings or losses, was \$11.7 million for fiscal year 2009. Additionally, we received rental income from VML, which was recorded as a component of other income, net in our consolidated statements of operations. Our investment in VML was written off in full as of February 28, 2009.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

The Company is exposed to a variety of risks, including foreign currency exchange rate fluctuations. In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency values.

All of the Company's international subsidiaries operate in functional currencies other than the U.S. dollar. As a result, the Company is exposed to foreign currency related risk when the financial statements of its international subsidiaries are translated for consolidation purposes from functional currencies to U.S. dollars. This foreign currency risk can affect sales, expenses and profits as well as assets and liabilities that are denominated in currencies other than the U.S. dollar. The Company does not enter into any hedging activities to mitigate this foreign currency translation risk.

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 exchange 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.

The Company has performed a sensitivity analysis related to its foreign currency forward contracts outstanding at August 31, 2011. If the foreign currency exchange rates relevant to those contracts were to change unfavorably by 10%, the Company would incur a loss of approximately \$1.4 million.

Table of Contents**Interest Rate Risk**

As of August 31, 2011, the Company had \$10.7 million remaining on its original \$75.0 million, 7.28% fixed-rate term loan. Additionally, the Company entered into a \$75.0 million three-year revolving credit facility agreement with Bank of America, N.A. (Bank of America) in June 2011. As a result of the fixed interest rate on the term loan, only the \$75.0 million revolving credit facility is subject to interest rate fluctuations. Under the terms of the credit facility agreement, the Company may borrow loans in U.S. dollars or in foreign currencies from time to time during the three-year period, which expires on June 17, 2014. All loans denominated in U.S. dollars will accrue interest at the bank's Prime rate or at LIBOR plus a margin of 0.90 percent (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). All loans denominated in foreign currencies will accrue interest at LIBOR plus 0.90 percent. Any significant increase in the bank's Prime rate and/or LIBOR rate could have a material effect on interest expense incurred on any borrowings outstanding under the credit facility.

Item 8. Financial Statements and Supplementary Data

The Company's consolidated financial statements at August 31, 2011 and 2010 and for each of the three fiscal years in the period ended August 31, 2011, and the Report of Independent Registered Public Accounting Firm, are included in Item 15 of this report.

Quarterly Financial Data (Unaudited)

The following table sets forth certain unaudited quarterly consolidated financial data (in thousands, except per share data):

	Fiscal Year Ended August 31, 2011				
	1st	2nd	3rd	4th	Total
Net sales	\$ 80,927	\$ 79,206	\$ 85,536	\$ 90,740	\$ 336,409
Gross profit	41,222	41,046	42,139	43,705	168,112
Net Income	9,079	9,108	8,060	10,186	36,433
Diluted earnings per common share	\$ 0.53	\$ 0.53	\$ 0.47	\$ 0.61	\$ 2.14

	Fiscal Year Ended August 31, 2010				
	1st	2nd	3rd	4th	Total
Net sales	\$ 77,721	\$ 80,553	\$ 82,561	\$ 80,681	\$ 321,516
Gross profit	39,913	42,233	42,255	40,905	165,306
Net Income	9,413	10,677	9,117	6,888	36,095
Diluted earnings per common share	\$ 0.56	\$ 0.64	\$ 0.54	\$ 0.41	\$ 2.15

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures**Evaluation of Disclosure 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 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

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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 August 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.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of its internal control over financial reporting based upon the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that its internal control over financial reporting is effective as of August 31, 2011.

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

PricewaterhouseCoopers LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of WD-40 Company included in this report, has audited the effectiveness of WD-40 Company's internal control over financial reporting as of August 31, 2011, as stated in their report included in Item 15 of this report.

Changes in Internal Control over Financial Reporting

For the quarter ended August 31, 2011, there were no significant changes to the Company's internal control over financial reporting that materially affected, or would be reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

Certain information required by this item is set forth under the headings Security Ownership of Directors and Executive Officers, Nominees for Election as Directors, Audit Committee and Section 16(a) Beneficial Ownership Reporting Compliance in the Company's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2011 Annual Meeting of Stockholders on December 13, 2011 (Proxy Statement), which information is incorporated by reference herein. Additional information concerning executive officers of the Registrant required by this item is included in this report following Item 4 of Part I under the heading, Executive Officers of the Registrant.

The Registrant has a financial reporting code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. A copy of the financial reporting code of ethics applicable to such persons may be found on the Registrant's internet website on the Officers and Directors link from the Investors page at www.wd40company.com.

Item 11. Executive Compensation

Information required by this item is incorporated by reference to the Proxy Statement under the headings Board of Directors Compensation, Compensation Committee Interlocks and Insider Participation, Compensation Discussion and Analysis, Compensation Committee Report, Executive Compensation, Supplemental Death Benefit Plans and Supplemental Insurance Benefits and Change of Control Severance Agreements.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Certain information required by this item is incorporated by reference to the Proxy Statement under the headings Principal Security Holders and Security Ownership of Directors and Executive Officers.

Equity Compensation Plan Information

The following table provides information regarding shares of the Company's common stock authorized for issuance under equity compensation plans as of August 31, 2011:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	760,487 ⁽¹⁾	\$ 33.43 ⁽²⁾	2,123,938
Equity compensation plans not approved by security holders	n/a	n/a	n/a
	760,487 ⁽¹⁾	\$ 33.43 ⁽²⁾	2,123,938

⁽¹⁾ Includes 520,730 securities to be issued upon exercise of outstanding stock options, 191,757 securities to be issued pursuant to outstanding restricted stock units and 48,000 securities to be issued pursuant to outstanding performance share units (PSUs) based on 100% of the target number of PSU shares to be issued upon achievement of the applicable performance measures specified for such PSUs.

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(2) Weighted average exercise price only applies to stock options outstanding of 520,730, which is included as a component of the number of securities to be issued upon exercise of outstanding options, warrants and rights.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is incorporated by reference to the Proxy Statement under the headings Director Independence , Audit Committee and Related Party Transactions.

Item 14. Principal Accountant Fees and Services

Information required by this item is incorporated by reference to the Proxy Statement under the heading Ratification of Appointment of Independent Registered Public Accounting Firm.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

	Page
(a) Documents filed as part of this report	
(1) <u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets</u>	F-2
<u>Consolidated Statements of Operations</u>	F-3
<u>Consolidated Statements of Shareholders' Equity and Comprehensive Income</u>	F-4
<u>Consolidated Statements of Cash Flows</u>	F-5
<u>Notes to Consolidated Financial Statements</u>	F-6
(2) Financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.	
(3) Exhibits	

Exhibit No.	Description
	Articles of Incorporation and Bylaws.
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.
	Material Contracts.
	Executive Compensation Plans and Arrangements (Exhibits 10(a) through 10(n) are management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(b)).
10(a)	WD-40 Company 2007 Stock Incentive Plan, incorporated by reference from the Registrant's Proxy Statement filed on November 8, 2007, Appendix A thereto.
10(b)	Fourth Amended and Restated WD-40 Company 1990 Incentive Stock Option Plan, incorporated by reference from the Registrant's Form 10-K filed October 16, 2009, Exhibit 10(a) thereto.
10(c)	WD-40 Directors' Compensation Policy and Election Plan dated October 11, 2011.
10(d)	Third Amended and Restated WD-40 Company 1999 Non-Employee Director Restricted Stock Plan, incorporated by reference from the Registrant's Form 10-K filed October 16, 2009, Exhibit 10(e) thereto.
10(e)	Form of Indemnity Agreement between the Registrant and its executive officers and directors, incorporated by reference from the Registrant's Form 10-K filed October 25, 2007, Exhibit 10(d) thereto.
10(f)	Form of Performance Share Unit Award Agreement for 2010 awards to executive officers under the WD-40 Company 2007 Stock Incentive Plan.
10(g)	Form of WD-40 Company Supplemental Death Benefit Plan applicable to certain executive officers of the Registrant, incorporated by reference from the Registrant's Form 10-K filed October 18, 2010, Exhibit 10(f) thereto.

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Exhibit No.	Description
10(h)	Change of Control Severance Agreement between WD-40 Company and Garry O. Ridge dated February 14, 2006.
10(i)	Change of Control Severance Agreement between WD-40 Company and Michael J. Irwin dated February 14, 2006.
10(j)	Change of Control Severance Agreement between WD-40 Company and Michael L. Freeman dated February 14, 2006.
10(k)	Change of Control Severance Agreement between WD-40 Company and Geoffrey J. Holdsworth dated February 14, 2006.
10(l)	Change of Control Severance Agreement between WD-40 Company and Graham P. Milner dated February 14, 2006.
10(m)	Change of Control Severance Agreement between WD-40 Company and William B. Noble dated February 14, 2006.
10(n)	Change of Control Severance Agreement between WD-40 Company and Jay Rembolt dated October 16, 2008, incorporated by reference from the Registrant's Form 10-K filed October 23, 2008, Exhibit 10(m) thereto.
10(o)	Note Purchase and Private Shelf Agreement dated October 18, 2001 between WD-40 Company and Prudential Insurance Company of America, incorporated by reference from the Registrant's Form 10-Q filed April 8, 2010, Exhibit 10(a) thereto.
10(p)	First Amendment/Consent to October 18, 2001 Private Shelf Agreement dated May 30, 2002 between WD-40 Company and Prudential Company of America, incorporated by reference from the Registrant's Form 10-Q filed April 8, 2010, Exhibit 10(b) thereto.
10(q)	Amendment to October 18, 2011 Note Purchase and Private Shelf Agreement dated June 15, 2011.
10(r)	Credit Agreement dated June 17, 2011 among WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K filed June 17, 2011, Exhibit 10(a) thereto.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm dated October 20, 2011.
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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

WD-40 COMPANY
Registrant

/s/ JAY W. REMBOLT
JAY W. REMBOLT
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: October 20, 2011

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

/s/ GARRY O. RIDGE
GARRY O. RIDGE
Chief Executive Officer and Director
(Principal Executive Officer)
Date: October 20, 2011

/s/ JOHN C. ADAMS, JR.
JOHN C. ADAMS, JR., Director
Date: October 20, 2011

/s/ GILES H. BATEMAN
GILES H. BATEMAN, Director
Date: October 20, 2011

/s/ PETER D. BEWLEY
PETER D. BEWLEY, Director
Date: October 20, 2011

/s/ RICHARD A. COLLATO
RICHARD A. COLLATO, Director
Date: October 20, 2011

MARIO L. CRIVELLO, Director
Date:

/s/ LINDA A. LANG
LINDA A. LANG, Director
Date: October 20, 2011

/s/ GREGORY A. SANDFORT
GREGORY A. SANDFORT, Director
Date: October 20, 2011

/s/ NEAL E. SCHMALE

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of WD-40 Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 2011 and August 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audits of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

San Diego, California

October 20, 2011

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Table of Contents**WD-40 COMPANY****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)**

	August 31, 2011	August 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 56,393	\$ 75,928
Short-term investments	533	
Trade accounts receivable, less allowance for doubtful accounts of \$412 and \$299 at August 31, 2011 and 2010, respectively	58,324	47,846
Inventories	17,604	14,573
Current deferred tax assets, net	4,849	4,747
Assets held for sale	879	
Other current assets	4,574	7,314
Total current assets	143,156	150,408
Property and equipment, net	8,482	9,322
Goodwill	95,452	95,235
Other intangible assets, net	29,933	31,272
Other assets	2,754	2,871
Total assets	\$ 279,777	\$ 289,108
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 19,373	\$ 18,943
Accrued liabilities	15,258	14,382
Current portion of long-term debt and short-term borrowings	10,715	10,714
Accrued payroll and related expenses	7,471	14,265
Income taxes payable	1,413	1,516
Total current liabilities	54,230	59,820
Long-term debt		10,715
Long-term deferred tax liabilities, net	21,813	17,414
Deferred and other long-term liabilities	2,508	4,635
Total liabilities	78,551	92,584
Shareholders' equity:		
Common stock — authorized 36,000,000 shares, \$0.001 par value; 18,948,868 and 18,251,142 shares issued at August 31, 2011 and 2010, respectively; and 16,367,913 and 16,687,644 shares outstanding at August 31, 2011 and 2010, respectively	19	18
Additional paid-in capital	117,022	93,101
Retained earnings	176,008	157,805
Accumulated other comprehensive loss	(358)	(4,334)
Common stock held in treasury, at cost — 2,580,955 and 1,563,498 shares at August 31, 2011 and 2010, respectively	(91,465)	(50,066)
Total shareholders' equity	201,226	196,524
Total liabilities and shareholders' equity	\$ 279,777	\$ 289,108

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See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended August 31,		
	2011	2010	2009
Net sales	\$ 336,409	\$ 321,516	\$ 292,002
Cost of products sold (including cost of products acquired from related party of \$11,675 for fiscal year 2009)	168,297	156,210	147,469
Gross profit	168,112	165,306	144,533
Operating expenses:			
Selling, general and administrative	87,311	87,323	78,051
Advertising and sales promotion	25,132	22,061	19,459
Amortization of definite-lived intangible assets	1,537	724	468
Impairment of indefinite-lived intangible assets			6,710
Total operating expenses	113,980	110,108	104,688
Income from operations	54,132	55,198	39,845
Other income (expense):			
Interest income	228	174	428
Interest expense	(1,076)	(1,726)	(2,492)
Other income (expense), net	247	(89)	543
Income before income taxes	53,531	53,557	38,324
Provision for income taxes	17,098	17,462	12,037
Net income	\$ 36,433	\$ 36,095	\$ 26,287
Earnings per common share:			
Basic	\$ 2.16	\$ 2.17	\$ 1.59
Diluted	\$ 2.14	\$ 2.15	\$ 1.58
Shares used in per share calculations:			
Basic	16,803	16,606	16,503
Diluted	16,982	16,725	16,656

See accompanying notes to consolidated financial statements.

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

(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Treasury Stock		Total Shareholders' Equity	Total Comprehensive Income
	Shares	Amount					Shares	Amount		
Balance at August 31, 2008	18,041,715	\$ 18	\$ 82,647	\$ 128,627	\$ 2,766		1,563,498	\$ (50,066)	\$ 163,992	
Issuance of common stock upon exercises of stock options and conversions of restricted stock units to common shares	52,164		1,296						1,296	
Stock-based compensation			2,688						2,688	
Tax benefit from exercises of stock options and conversions of restricted stock units to common shares			98						98	
Cash dividends (\$1.00 per share)				(16,547)					(16,547)	
Foreign currency translation adjustment, net of tax provision of \$16					(4,867)				(4,867)	\$ (4,867)
Net income				26,287					26,287	26,287
Balance at August 31, 2009	18,093,879	\$ 18	\$ 86,729	\$ 138,367	\$ (2,101)		1,563,498	\$ (50,066)	\$ 172,947	\$ 21,420
Issuance of common stock upon exercises of stock options and conversions of restricted stock units to common shares	157,263		3,261						3,261	
Stock-based compensation			2,864						2,864	
Tax benefit from exercises of stock options and conversions of restricted stock units to common shares, net of impact of post-vesting expirations of stock options			247						247	
Cash dividends (\$1.00 per share)				(16,657)					(16,657)	
Foreign currency translation adjustment, net of tax provision of \$37					(2,233)				(2,233)	\$ (2,233)
Net income				36,095					36,095	36,095
Balance at August 31, 2010	18,251,142	\$ 18	\$ 93,101	\$ 157,805	\$ (4,334)		1,563,498	\$ (50,066)	\$ 196,524	\$ 33,862
Issuance of common stock upon exercises of stock options and conversions of restricted stock units to common shares	697,726	1	19,523						19,524	
Stock-based compensation			3,033						3,033	
Tax benefit from exercises of stock options and conversions of restricted stock units to common			1,365						1,365	

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shares																
Cash dividends (\$1.08 per share)	(18,230)								(18,230)							
Acquisition of treasury stock						1,017,457	(41,399)		(41,399)							
Foreign currency translation adjustment, net of tax provision of \$71					3,976				3,976	\$	3,976					
Net income	36,433								36,433		36,433					
Balance at August 31, 2011	18,948,868	\$	19	\$	117,022	\$	176,008	\$	(358)	2,580,955	\$	(91,465)	\$	201,226	\$	40,409

See accompanying notes to consolidated financial statements.

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Table of Contents**WD-40 COMPANY****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	Fiscal Year Ended August 31,		
	2011	2010	2009
Operating activities:			
Net income	\$ 36,433	\$ 36,095	\$ 26,287
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,386	4,248	3,727
Impairment of indefinite-lived intangible assets			6,710
Net losses (gains) on sales and disposals of property and equipment	154	(43)	(17)
Deferred income taxes	2,831	(152)	(266)
Excess tax benefits from exercises of stock options and conversions of restricted stock units to common shares	(1,195)	(224)	(101)
Stock-based compensation	3,033	2,864	2,688
Unrealized foreign currency exchange losses (gains), net	469	931	(696)
Provision for bad debts	162	103	500
Equity losses from related party			435
Changes in assets and liabilities:			
Trade accounts receivable	(9,776)	(1,723)	(1,349)
Inventories	(2,654)	2,967	2,666
Other assets	2,795	(2,738)	(1,643)
Accounts payable and accrued liabilities	657	6,092	(7,965)
Accrued payroll and related expenses	(7,802)	6,875	1,296
Accounts payable to related party			547
Income taxes payable	2,661	(346)	1,732
Deferred and other long-term liabilities	(2,145)	1,475	77
Net cash provided by operating activities	30,009	56,424	34,628
Investing activities:			
Purchases of property and equipment	(2,875)	(1,769)	(3,008)
Proceeds from sales of property and equipment	170	216	255
Purchases of short-term investments	(515)		
Net cash used in investing activities	(3,220)	(1,553)	(2,753)
Financing activities:			
Repayments of long-term debt	(10,714)	(10,714)	(10,714)
Proceeds from revolving credit facility	5,000		
Repayments of revolving credit facility	(5,000)		
Dividends paid	(18,230)	(16,657)	(16,547)
Proceeds from issuance of common stock	20,215	3,572	1,296
Treasury stock purchases	(41,399)		
Excess tax benefits from exercises of stock options and conversions of restricted stock units to common shares	1,195	224	101
Net cash used in financing activities	(48,933)	(23,575)	(25,864)
Effect of exchange rate changes on cash and cash equivalents	2,609	(1,324)	(2,038)
Net (decrease) increase in cash and cash equivalents	(19,535)	29,972	3,973
Cash and cash equivalents at beginning of period	75,928	45,956	41,983

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Cash and cash equivalents at end of period	\$ 56,393	\$ 75,928	\$ 45,956
Supplemental cash flow information:			
Cash paid for:			
Interest	\$ 986	\$ 1,767	\$ 2,697
Income taxes, net of tax refunds received	\$ 11,424	\$ 18,948	\$ 9,818

See accompanying notes to consolidated financial statements.

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WD-40 COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. 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. The Company markets multi-purpose maintenance products, WD-40® multi-use product and, 3-IN-ONE® Oil, BLUE WORKS® and WD-40 Specialist™ product lines. WD-40 Specialist is the newest of these product brands and the Company launched the first three products in this line in the United States (U.S.) during September 2011. The Company also markets the following homecare and cleaning brands: X-4 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 United Kingdom (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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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 periods. Actual results could differ from those estimates.

The 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.

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, 9 percent and 10 percent of the Company's consolidated net sales in fiscal years 2011, 2010 and 2009, respectively. Accounts receivable from Wal-Mart stores and its affiliates worldwide accounted for 6 percent and 9 percent of the Company's consolidated accounts receivable balances at August 31, 2011 and 2010, respectively.

Supplier Risk

The Company relies on a limited number of suppliers, including single or sole source suppliers for certain of its raw materials, packaging, product components and other necessary supplies. Where possible and where it makes

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

business sense, the Company works with secondary or multiple suppliers to qualify additional supply sources. To date, the Company has been able to obtain adequate supplies of these materials which are used in the production of its multipurpose maintenance products and homecare and cleaning products in a timely manner from existing sources.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Short-term Investments

Short-term investments include securities with stated maturities of no longer than twelve months. The Company's short-term investments consisted of term deposits with a fair value of \$0.5 million at August 31, 2011. The term deposits were either not allowed to be redeemed early or were subject to penalty for early redemption before their maturity. No short-term investments were held by the Company at August 31, 2010.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance for doubtful accounts based on historical write-off experience and the identification of specific balances deemed uncollectable. Trade accounts receivable are charged off against the allowance when the Company believes it is probable that the trade accounts receivable will not be recovered. The Company does not have any off-balance sheet credit exposure related to its customers.

Changes in the allowance for doubtful accounts are summarized below (in thousands):

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions*	Balance at End of Year
Fiscal year ended August 31, 2009	\$ 486	\$ 500	\$ 292	\$ 694
Fiscal year ended August 31, 2010	\$ 694	\$ 103	\$ 498	\$ 299
Fiscal year ended August 31, 2011	\$ 299	\$ 162	\$ 49	\$ 412

* Represents the net amount of write-offs against the allowance and recoveries of doubtful accounts.

Inventories

Inventories are stated at the lower of cost (as determined based on the average cost method) or market. When necessary, the Company adjusts the carrying value of its inventory to the lower of cost or market, including any costs to sell or dispose of such inventory. Appropriate consideration is given by the Company to obsolescence, excessive inventory levels, product deterioration and other factors when evaluating net realizable value for the purposes of determining the lower of cost or market.

Included in inventories are certain raw materials and components held at outsourced contract packagers, which manufacture the Company's products. These contract packagers package products to the Company's specifications and, upon order from the Company, ship ready-to-sell inventory to the Company's customers. The Company transfers certain raw materials and components to these contract packagers for use in the manufacturing process. Contract packagers are obligated to pay the Company for these raw materials and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

components upon receipt. Amounts receivable from the contract packagers as of the balance sheet date related to transfers of these raw materials and components by the Company to its contract packagers are considered product held at contract packagers and are included in inventories in the accompanying consolidated balance sheets.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method based upon estimated useful lives of ten to forty years for buildings and improvements, three to fifteen years for machinery and equipment, three to five years for vehicles, three to ten years for furniture and fixtures and three to five years for software and computer equipment. Depreciation expense totaled \$2.7 million, \$3.1 million and \$2.8 million for fiscal years 2011, 2010 and 2009, respectively. These amounts include factory depreciation expense recognized as cost of products sold totaling \$1.1 million, \$1.5 million and \$1.3 million for fiscal years 2011, 2010 and 2009, respectively.

Software Development Costs

The Company capitalizes qualifying software costs, which are incurred during the application development stage, and amortizes them over their estimated useful lives of three to five years. The Company capitalized \$0.1 million, \$0 million and \$0.2 million in fiscal years 2011, 2010 and 2009, respectively. Capitalized software costs are included in property and equipment in the accompanying consolidated balance sheets. Amortization expense totaled \$47 thousand, \$0.1 million and \$0.2 million in fiscal years 2011, 2010 and 2009, respectively.

Goodwill and Indefinite-lived Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets acquired. Indefinite-lived intangible assets consist of certain trade names. 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. The Company assesses possible impairments to goodwill and indefinite-lived intangible assets at least annually during its 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 its goodwill and indefinite-lived intangible assets, the Company considers the fair value concepts of a market participant and the highest and best use for its intangible assets.

The Company tests 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 the Company's 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 the 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.

The Company tests for impairment of indefinite-lived intangible assets based on a discounted future cash flows 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.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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.

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 no material impairments to its long-lived assets have been identified by the Company during fiscal years 2011, 2010 or 2009, the Company recorded impairments to its Carpet Fresh and X-14 trade names prior to their reclassification from indefinite-lived to definite-lived intangible assets on August 31, 2009. Also, the Company reclassified its Spot Shot, 2000 Flushes and 1001 trade names from indefinite-lived to definite-lived intangible assets effective February 28, 2011. See Note 6 – Goodwill and Other Intangible Assets for details.

During the third quarter of fiscal year 2011, the Company decided to approve and start executing upon a plan to sell its warehouse facility located in Memphis, Tennessee. 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 August 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 consolidated balance sheets. In July 2011, a third party entered into a sales agreement with the Company to purchase this facility in Memphis. As of August 31, 2011, the Company was still in escrow with this third party.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, short-term investments, trade accounts receivable, accounts payable, foreign currency exchange contracts and debt. The carrying amounts of these financial instruments, with the exception of debt, approximate their fair values due to their short-term maturities.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents, short-term investments and trade accounts receivable. The Company's policy is to place its cash in high credit quality financial institutions, in investments that include demand

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

deposits, money market accounts, term deposits and time deposits. The Company's trade accounts receivable are derived from customers located in North America, South America, Asia-Pacific and Europe. The Company limits its credit exposure from trade accounts receivable by performing on-going credit evaluations of customers, as well as insuring its trade accounts receivable in selected markets.

Insurance Coverage

The Company carries insurance policies to cover insurable risks such as property damage, business interruption, product liability, workers compensation and other risks, with coverage and other terms that it believes to be adequate and appropriate. These policies may be subject to applicable deductible or retention amounts, coverage limitations and exclusions. The Company does not maintain self-insurance with respect to its material risks; therefore, the Company has not provided for self-insurance reserves as of August 31, 2011 and 2010.

Revenue Recognition and Sales Incentives

Sales are recognized as revenue at the time of delivery to the customer when risks of loss and title have passed. Sales are recorded net of allowances for damaged goods and other sales returns, sales incentives, trade promotions and cash discounts.

The Company records sales incentives as a reduction of sales in its consolidated statements of operations. The Company offers on-going trade promotion programs with customers and consumer coupon programs that require the Company to estimate and accrue the expected costs for such programs. Programs include cooperative marketing programs, shelf price reductions, coupons, rebates, consideration and allowances given to retailers for shelf space and/or favorable display positions in their stores and other promotional activities. Costs related to rebates, cooperative advertising and other promotional activities are recorded as a reduction to sales upon delivery of the Company's products to its customers. Coupon costs are based upon historical redemption rates and are recorded as a reduction to sales as incurred, which is when the coupons are circulated.

Cost of Products Sold

Cost of products sold primarily includes the cost of products manufactured on the Company's behalf by its third-party contract packagers, net of volume and other rebates. Cost of products sold also includes the costs to manufacture WD-40 concentrate, which include direct labor, direct materials and supplies; in-bound freight costs related to purchased raw materials; and depreciation of machinery and equipment used in the manufacturing process.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include costs related to selling the Company's products, such as the cost of the sales force and related sales and broker commissions; shipping and handling costs paid to third-party companies to distribute finished goods from the Company's third-party contract packagers to its customers; other general and administrative costs related to the Company's business such as general overhead, legal and accounting fees, insurance, and depreciation; and other employee-related costs to support marketing, human resources, finance, supply chain, information technology and research and development activities.

Shipping and Handling Costs

Shipping and handling costs are included in selling, general and administrative expenses and are recorded at the time of shipment of product to the Company's customers. Shipping and handling costs were \$15.0 million, \$13.6 million and \$13.3 million for fiscal years 2011, 2010 and 2009, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses are expensed as incurred. Advertising and sales promotion expenses include costs for advertising (television, print media and internet), coupon programs, consumer promotions, product demonstrations, public relations, agency costs, package design expenses and market research costs.

Research and Development

The Company is involved in research and development efforts that include the ongoing development or innovation of new products and the improvement or renovation of existing products. All research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Research and development expenses were \$5.5 million, \$5.3 million and \$4.8 million in fiscal years 2011, 2010 and 2009, respectively. These expenses include costs associated with general research and development activities, as well as those associated with internal staff, overhead, design testing, market research and consultants.

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 its plans regarding future international operations and expected remittances.

Foreign Currency

Assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing

during each reporting period. Gains and losses from translation are included in accumulated other comprehensive income or loss. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are included as other income (expense) in the Company's consolidated statements of operations. Foreign currency transaction gains, net were \$0.2 million for fiscal year 2011 and foreign currency transaction losses, net were \$0.1 million and \$0.5 million for fiscal years 2010 and 2009, respectively.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 consolidated statements of operations. Cash flows from settlements of foreign currency forward contracts are included in operating activities in the 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 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 August 31, 2011, the Company had \$12.3 million of foreign currency forward contracts outstanding which mature from September 2011 through December 2011. Unrealized net gains and losses related to foreign currency forward contracts were not material at August 31, 2011 and 2010. Realized net losses related to foreign currency forward contracts were \$0.5 million, \$0.3 million and \$0.6 million for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

Earnings per Common Share

Effective September 1, 2009, the Company adopted a new accounting standard which provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities that must be included in the computation of earnings per common share pursuant to the two-class method. Accordingly, the Company's outstanding unvested, if any, and outstanding vested restricted stock units that provide such nonforfeitable rights to dividend equivalents are included as participating securities in the calculation of earnings per common share (EPS) pursuant to the two-class method.

The Company calculates 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Stock-based Compensation

The Company accounts for stock-based equity awards exchanged for employee and non-employee director services in accordance with the authoritative guidance for share-based payments. Under such guidance, stock-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the requisite service period. Compensation expense is amortized on a straight-line basis over the requisite service period for the entire award, which is generally the maximum vesting period of the award.

The fair value of stock options is determined using a Black-Scholes option pricing model. The fair value of stock unit awards is based on the fair value of the Company's common stock on the date that the stock unit award is granted. For those stock unit awards that have performance-based conditions, the Company adjusts the compensation expense over the service period based upon the expected achievement of the performance conditions. An estimated forfeiture rate is applied and included in the calculation of stock-based compensation expense at the time that the stock-based equity awards are granted and revised, if necessary, in subsequent periods if actual forfeiture rates differ from those estimates. Compensation expense related to the Company's stock-based equity awards is recorded as selling, general and administrative expenses in the Company's consolidated statements of operations.

The Company calculates its windfall tax benefits additional paid-in capital pool that is available to absorb tax deficiencies in accordance with the short-cut method provided for by the authoritative guidance for share-based payments. As of August 31, 2011, the Company determined that it does have a pool of windfall tax benefits.

The Company classifies cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for stock-based equity awards, or excess tax benefits, as cash inflows from financing activities and cash outflows from operating activities.

Segment Information

The Company discloses certain information about its business segments, which are determined consistent with the way management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company is organized on the basis of geographical locations. In addition, management assesses and reports on revenue based on product lines.

Recently Adopted Accounting Standards

Effective March 1, 2011, the Company adopted the provisions of the 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. The adoption of the provisions of this standard did not have an impact on the Company's consolidated financial statement disclosures.

Recently Issued Accounting Standards

In September 2011, the Financial Accounting Standards Board (FASB) issued updated authoritative guidance to amend the standard for the goodwill impairment test. The amendments will allow companies to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Companies no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The updated authoritative guidance will be effective for annual and interim goodwill

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

impairment tests performed for fiscal years beginning after December 15, 2011. The Company is currently evaluating the potential impact, if any, of the adoption of this guidance on the process and procedures for its goodwill impairment test.

In June 2011, the 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 is currently evaluating the potential impact, if any, of the adoption of this updated authoritative guidance 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 has evaluated this updated authoritative guidance, and it does not expect the adoption of this 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 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 has evaluated this updated authoritative guidance, and it does not expect the adoption of this guidance to have a material impact on its consolidated financial statement disclosures.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****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):

		August 31, 2011		
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$	\$	\$	\$
Term deposits	533		533	
Total	\$ 533	\$	\$ 533	\$

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

Money market funds are highly liquid investments classified as cash equivalents and term deposits are held-to-maturity investments classified as short-term investments in the Company's consolidated balance sheets at August 31, 2011 and 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 fiscal years ended August 31, 2011 and 2010.

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 \$10.9 million and \$22.4 million at August 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 August 31, 2011 and 2010.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****Note 4. Inventories**

Inventories consisted of the following (in thousands):

	August 31, 2011	August 31, 2010
Product held at contract packagers	\$ 1,727	\$ 1,536
Raw materials and components	2,174	1,811
Work-in-process	318	979
Finished goods	13,385	10,247
Total	\$ 17,604	\$ 14,573

Note 5. Property and Equipment

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

	August 31, 2011	August 31, 2010
Machinery, equipment and vehicles	\$ 12,331	\$ 12,162
Buildings and improvements	3,559	4,416
Computer and office equipment	3,169	3,075
Software	4,245	4,011
Furniture and fixtures	1,154	1,092
Land	293	542
Subtotal	24,751	25,298
Less: accumulated depreciation and amortization	(16,269)	(15,976)
Total	\$ 8,482	\$ 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 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.

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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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

During the second quarter of fiscal year 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.

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.

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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 is being amortized on a straight-line basis effective March 1, 2011.

Goodwill

Changes in the carrying amounts of goodwill by segment are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2009	\$ 85,570	\$ 8,641	\$ 1,213	\$ 95,424
Translation adjustments	(24)	(162)	(3)	(189)
Balance as of August 31, 2010	85,546	8,479	1,210	95,235
Translation adjustments	32	184	1	217
Balance as of August 31, 2011	\$ 85,578	\$ 8,663	\$ 1,211	\$ 95,452

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 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 are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2009	\$ 24,500	\$ 3,304	\$	\$ 27,804
Translation adjustments		(155)		(155)
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 August 31, 2011	\$	\$	\$	\$

Definite-lived Intangible Assets

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

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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 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 consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	August 31,	
	2011	2010
Gross carrying amount	\$ 7,042	\$ 6,842
Accumulated amortization	(4,928)	(3,219)
Translation adjustments	46	
Trade names changed from indefinite-lived to definite-lived at February 28, 2011	27,773	
Net carrying amount	\$ 29,933	\$ 3,623

Changes in the carrying amounts of the definite-lived intangible assets by segment are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2009	\$ 3,150	\$ 1,251	\$	\$ 4,401
Amortization expense	(258)	(466)		(724)
Translation adjustments		(54)		(54)
Balance as of August 31, 2010	2,892	731		3,623
Amortization expense	(1,062)	(475)		(1,537)
Translation adjustments	83	(9)		74
Trade names changed from indefinite-lived to definite-lived at February 28, 2011	24,500	3,273		27,773
Balance as of August 31, 2011	\$ 26,413	\$ 3,520	\$	\$ 29,933

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
Fiscal year 2012	\$ 1,865	\$ 284	\$ 2,149
Fiscal year 2013	1,865		1,865
Fiscal year 2014	1,865		1,865
Fiscal year 2015	1,865		1,865
Fiscal year 2016	1,865		1,865
Thereafter	20,324		20,324
Total	\$ 29,649	\$ 284	\$ 29,933

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****Note 7. Accrued and Other Liabilities**

Accrued liabilities consisted of the following (in thousands):

	August 31, 2011	August 31, 2010
Accrued advertising and sales promotion expenses	\$ 9,396	\$ 8,940
Accrued professional services fees	1,005	1,160
Accrued sales taxes	1,189	797
Accrued other taxes	1,535	914
Other	2,133	2,571
Total	\$ 15,258	\$ 14,382

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

	August 31, 2011	August 31, 2010
Accrued bonuses	\$ 2,218	\$ 8,333
Accrued payroll	2,111	2,020
Accrued profit sharing	1,608	2,051
Accrued payroll taxes	1,066	1,388
Other	468	473
Total	\$ 7,471	\$ 14,265

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

	August 31, 2011	August 31, 2010
Supplemental employee retirement plan benefits liability	\$ 707	\$ 705
Other income taxes payable	1,735	3,846
Other	66	84
Total	\$ 2,508	\$ 4,635

Note 8. Debt

As of August 31, 2011, the Company had \$10.7 million remaining on its original \$75.0 million, 7.28% fixed-rate term loan financed through Prudential Capital (Prudential Loan). Additionally, the Company entered into a \$75.0 million unsecured credit agreement with Bank of America, N.A. (Bank of America) on June 17, 2011. Previously, the Company had an unsecured revolving credit facility with Union Bank, N.A. in the amount of \$10.0 million, which was terminated effective on June 17, 2011 when the Company entered into the \$75.0 million revolving credit facility with Bank of America.

Debt consisted of the following:

	August 31,	
	2011	2010
Term loan	\$ 10,715	\$ 21,429
Revolving credit facility ⁽¹⁾		
Less: current portion	(10,715)	(10,714)
Long-term debt	\$	\$ 10,715

- ⁽¹⁾ In July 2011, the Company drew \$5.0 million under the revolving credit facility with Bank of America. The Company repaid this \$5.0 million short-term loan and the associated interest with cash on hand in August 2011. Thus, there was no outstanding balance on the revolving credit facility as of August 31, 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Term Loan

The \$75.0 million Prudential Loan, which originated in October 2001, has a 10-year term and required interest-only payments for the first three years. The final payment on this term loan is due in October 2011. See Note 17 Subsequent Events for additional details on this final payment. The term loan agreement has covenant requirements, which require the Company to maintain minimum consolidated net worth greater than the sum of \$57.0 million plus 25% of consolidated net income for each fiscal quarter beginning with the first fiscal quarter of 2002, plus proceeds of all equity securities other than those issued under the Company's prior stock option plan and current stock incentive plan. A consolidated fixed charge coverage ratio in the range of 1.20 to 1.00 on the last day of any fiscal quarter must be maintained. The consolidated fixed charge coverage ratio is calculated by dividing earnings before interest, taxes, depreciation and amortization and rent expense minus cash payments for income taxes and capital expenditure by total cash payments for rent, principal and interest. The Company is also limited to a leverage ratio ranging from 2.25 to 1.00, which is calculated by dividing total debt by earnings before interest, taxes, depreciation and amortization, measured on a trailing four quarter basis at each reporting period. The term loan is collateralized by the Company's cash, property, inventory, trade receivables and intangible assets. The term loan also includes certain provisions for prepayment penalties.

The events of default under the fixed-rate term loan include the following:

Failure to pay principal or interest when due;

Failure to comply with covenants, representations and warranties or other terms and conditions under the credit agreements;

Commencing any proceeding for bankruptcy, insolvency, reorganization, dissolution or liquidation; and

The sale, transfer, abandonment, forfeiture or disposal of the WD-40 trademark or any other trademark used in a material product line. In the event of default, the term loan may be due and callable immediately at the option of the holders. The term loan agreement also limits the Company's ability, without prior approval from the Company's lenders, to incur additional unsecured indebtedness, sell, lease or transfer assets, place liens on properties, complete certain acquisitions, mergers or consolidations, enter into guarantee obligations, enter into related party transactions and make certain loan advances and investments.

As a result of the share buy-back plan completed during the fiscal year ended August 31, 2008, the Company's debt covenants related to its fixed-rate term loan were revised. Under the revised debt covenants, the aggregate payments for dividends and share repurchases by the Company were limited to \$35.0 million, plus 75% of consolidated net income for each fiscal quarter beginning March 1, 2007. Per a June 15, 2011 amendment to the term loan agreement with Prudential, the debt covenants related to the aggregate payments for dividends and share repurchases were further revised. Under these revised debt covenants, the aggregate payments for dividends and share repurchases by the Company are limited to \$65.0 million during the period from February 28, 2011 through the date on which all of the balances outstanding on the term loan have been paid in full.

At August 31, 2011, the Company was in compliance with all debt covenants as required by the term loan agreement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Revolving Credit Facility

On June 17, 2011, the Company entered into an unsecured credit agreement with Bank of America. The agreement consists of a \$75.0 million three-year revolving credit facility. The proceeds of the credit facility will be used for the Company's share repurchases and general working capital needs. Under the terms of the credit facility agreement, the Company may borrow loans in U.S. dollars or in foreign currencies from time to time during the three-year period, which expires on June 17, 2014. All loans denominated in U.S. dollars will accrue interest at the bank's Prime rate or at LIBOR plus a margin of 0.90 percent. All loans denominated in foreign currencies will accrue interest at LIBOR plus 0.90 percent (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). Interest on outstanding loans is due and payable on a quarterly basis through the credit facility maturity date of June 17, 2014. The Company may also borrow against the credit facility through the issuance of standby letters of credit. Outstanding letters of credit are subject to a fee equal to 0.90 percent per annum applied to amounts available to be drawn on outstanding letters of credit. The Company will incur commitment fees for the credit facility at an annual rate of 0.15 percent applied to the portion of the total credit facility commitment that has not been borrowed until outstanding loans and letters of credit exceed \$37.5 million.

The agreement includes representations, warranties and covenants customary for credit facilities of this type as well as customary events of default and remedies. The agreement also requires the Company to maintain the same financial covenants governing the Company's \$75.0 million Prudential Loan until the Prudential Loan is paid in full. After the Prudential Loan is paid in full, the agreement requires the Company to maintain a minimum consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) of \$40.0 million, measured on a trailing twelve month basis, at each reporting period.

At August 31, 2011, the Company was in compliance with all debt covenants as required by the revolving credit facility.

Note 9. Share Repurchase Plans

On December 8, 2009, the Company's Board of Directors approved a share buy-back plan. Under the plan, which was in effect for up to twelve months from the date of approval, the Company was authorized to acquire up to \$15.0 million of its outstanding shares. The Company did not purchase any shares under this share buy-back plan.

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was to be in effect through December 13, 2011, and authorized the Company to acquire up to \$25.0 million of its outstanding shares. On April 4, 2011, the Company's Board of Directors approved an increase to this 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. Under the plan, the Company is authorized to acquire 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. During the period from December 14, 2010 through August 31, 2011, the Company repurchased 1,017,457 shares at a total cost of \$41.4 million.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****Note 10. Earnings per Common Share**

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

	Fiscal Year Ended August 31,		
	2011	2010	2009
Net income	\$ 36,433	\$ 36,095	\$ 26,287
Less: Net income allocated to participating securities	(130)	(120)	
Net income available to common shareholders	\$ 36,303	\$ 35,975	\$ 26,287

The table below summarizes the weighted-average number of common shares outstanding included in the calculation of basic and diluted EPS (in thousands):

	Fiscal Year Ended August 31,		
	2011	2010	2009
Weighted-average common shares outstanding, basic	16,803	16,606	16,503
Weighted-average dilutive securities	179	119	153
Weighted-average common shares outstanding, diluted	16,982	16,725	16,656

For the fiscal year ended August 31, 2011, there were no anti-dilutive stock options outstanding. For the fiscal years ended August 31, 2010 and 2009, weighted-average stock options outstanding to purchase 600,814 and 938,792 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 respective fiscal year.

Note 11. Related Parties

Prior to July 1, 2009, the Company owned a 30% membership interest in VML Company L.L.C. (VML). VML made profit distributions to the Company and the 70% owner on a discretionary basis in proportion to each party's respective interest. VML served as one of the Company's contract manufacturers for certain homecare and cleaning products. The Company entered into a Settlement Agreement and Mutual General Release with VML, effective July 1, 2009. As a result, VML is no longer a related party.

The Company recorded equity losses related to its investment in VML of \$0.4 million for fiscal year 2009. This amount was recorded as a component of cost of products sold as VML acted primarily as a contract manufacturer to the Company. Cost of products sold that were purchased from VML, net of rebates and equity earnings or losses, was \$11.7 million for fiscal year 2009. Additionally, the Company received rental income from VML, which was recorded as a component of other income, net in the Company's consolidated statements of operations. The Company's investment in VML was written off in full as of February 28, 2009.

Note 12. Commitments and Contingencies***Leases***

The Company was committed under certain non-cancelable operating leases at August 31, 2011 which provide for the following future fiscal year minimum payments (in thousands):

	2012	2013	2014	2015	2016	Thereafter
Operating leases	\$ 1,629	\$ 1,123	\$ 546	\$ 360	\$ 252	\$ 444

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Rent expense was \$1.6 million, \$1.4 million and \$1.5 million for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

Supplemental Employee Retirement Plan

The Company provides fixed retirement benefits to certain of its retired key executives under a supplemental employee retirement plan. Under the plan, the Company is committed to pay benefits to current retirees as follows (in thousands):

	2012	2013	2014	2015	2016	Thereafter
Supplemental employee retirement plan benefits obligation ⁽¹⁾	\$ 147	\$ 84	\$ 62	\$ 62	\$ 62	\$ 579

⁽¹⁾ The present value of all future benefit payments was \$0.7 million as of August 31, 2011. See Note 15 – Other Benefit Plans for additional details.

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 August 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.

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 was 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 alleged 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 sought to recover a civil monetary fine of \$500 per false marking offense, or an alternative amount determined by the court, one-half of which was to be paid to the United States. On June 6, 2011, Promote Innovation, LLC voluntarily dismissed its false patent marking claim against the Company, without prejudice.

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

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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 August 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 August 31, 2011.

Note 13. Income Taxes

The provision for income taxes consisted of the following (in thousands):

	Fiscal Year Ended August 31,		
	2011	2010	2009
Current:			
Federal	\$ 9,321	\$ 10,062	\$ 6,566
State	951	1,216	1,381
Foreign	4,627	4,524	4,160
Total current	14,899	15,802	12,107
Deferred:			
United States	2,162	1,675	48
Foreign	37	(15)	(118)
Total deferred	2,199	1,660	(70)
	\$ 17,098	\$ 17,462	\$ 12,037

Income before income taxes included \$16.2 million, \$15.7 million and \$13.7 million related to foreign operations for the fiscal years ended August 31, 2011, 2010 and 2009, respectively. Included in these amounts are income before income taxes for the Europe segment of \$14.5 million, \$14.4 million and \$13.1 million for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Deferred tax assets and deferred tax liabilities consisted of the following (in thousands):

	2011	August 31, 2010
Deferred tax assets:		
Accrued payroll and related expenses	\$ 803	\$ 3,030
State income taxes paid	644	809
Accounts receivable	550	453
Accounts payable and accrued liabilities	2,250	2,431
Deferred and other long-term liabilities	258	260
Stock-based compensation expense	2,391	2,721
Net operating loss	159	137
Uniform capitalization	565	539
Valuation allowance	(78)	(58)
Other	1,401	1,230
Total deferred tax assets	8,943	11,552
Deferred tax liabilities:		
Property and equipment, net	(1,005)	(997)
Amortization of tax goodwill and intangible assets	(23,169)	(21,295)
Investment in low income housing partnerships	(1,032)	(647)
Investment in VML partnership	(491)	(1,140)
Other	(210)	(140)
Total deferred tax liabilities	(25,907)	(24,219)
Net deferred tax liabilities	\$ (16,964)	\$ (12,667)

As of August 31, 2011, the Company had state net operating loss (NOL) carryforwards of approximately \$3.5 million which begin to expire in fiscal year 2016. Utilization of the related deferred tax asset is dependent upon the generation of future taxable income in related jurisdictions. At this time, management has concluded that it is not more likely than not that this will occur for a portion of the state NOL, and accordingly, has recorded a valuation allowance against this deferred tax asset in the amount of \$0.1 million.

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows (in thousands):

	2011	Fiscal Year Ended August 31, 2010	2009
Amount computed at U.S. statutory federal tax rate	\$ 18,736	\$ 18,745	\$ 13,413
State income taxes, net of federal tax benefits	734	882	912
Effect of foreign operations	(1,377)	(1,230)	(994)
Benefit from qualified domestic production deduction	(798)	(633)	(444)
Revaluation of deferred tax liabilities due to state law change	18	(5)	(516)
Research and experimentation credits	(117)		(143)
Other	(98)	(297)	(191)
	\$ 17,098	\$ 17,462	\$ 12,037

As of August 31, 2011, the Company had not provided for U.S. income taxes and foreign withholding taxes on \$65.5 million of undistributed earnings of certain foreign subsidiaries since these earnings are considered indefinitely reinvested outside of the U.S. The amount of unrecognized deferred U.S. income tax liability, net of unrecognized foreign tax credits, was \$5.3 million as of August 31, 2011. This net

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liability is impacted by changes in foreign currency exchange rates and, as a result, will fluctuate with any changes in such rates. Regarding certain foreign subsidiaries not indefinitely reinvested, the Company has provided for U.S. income taxes and foreign withholding taxes on the undistributed earnings.

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Reconciliations of the beginning and ending amounts of the Company's gross unrecognized tax benefits are as follows (in thousands):

	Fiscal Year Ended August 31,	
	2011	2010
Unrecognized tax benefits beginning of fiscal year	\$ 3,600	\$ 1,987
Gross increases tax positions in prior periods	90	
Gross (decreases) increases current period tax positions	(1,903)	1,823
Expirations of statute of limitations for assessment	(291)	(166)
Settlements	(122)	(44)
Unrecognized tax benefits end of fiscal year	\$ 1,374	\$ 3,600

The total amount of unrecognized tax benefits was \$1.4 million as of August 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 consolidated balance sheets.

The total balance of accrued interest and penalties related to uncertain tax positions was \$0.4 million and \$0.2 million as of August 31, 2011 and 2010, respectively. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company's consolidated balance sheets. There were no material interest or penalties included in income tax expense for the fiscal years ended August 31, 2011 and 2010.

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 2008 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 2007 are no longer subject to examination. The Company is currently under audit in a state jurisdiction 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 14. Stock-based Compensation

In December 2007, the Company's shareholders approved the WD-40 Company 2007 Stock Incentive Plan (2007 Plan), effective as of December 11, 2007 (Effective Date), which permits the granting of various stock-based equity awards, including non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units (RSUs), performance shares, performance units (PSUs) and other stock-based awards to employees, directors and consultants. As a result of the adoption of the 2007 Plan, no further awards have been or will be granted from the prior WD-40 Company 1990 Incentive Stock Option Plan (1990 Incentive Stock Option Plan) or the prior WD-40 Company 1999 Non-Employee Director Restricted Stock Plan (Director Stock Plan) (collectively, the Prior Plans) subsequent to the Effective Date. The number of shares initially authorized for issuance pursuant to grants of awards under the 2007 Plan was 2,250,000 shares plus any shares remaining available for issuance pursuant to grants of awards under the Prior Plans, for a total initial pool of shares of common stock available for issuance pursuant to grants of awards under the 2007 Plan of 2,957,830. As of August 31, 2011, 2,123,938 shares of common stock remained available for future issuance pursuant to grants of awards under the 2007 Plan. Awards under the 2007 Plan or the Prior Plans that expire or are cancelled, forfeited, settled in cash or otherwise settled without the delivery of shares return to the pool available for issuance pursuant to grants of awards under the 2007 Plan. Awards of stock options or stock appreciation rights are counted as one share, and awards of restricted stock, restricted stock units, performance

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

shares, performance units and other stock-based awards are counted as three shares, for purposes of computing the number of shares authorized and available for issuance pursuant to grants of awards under the 2007 Plan. The shares of common stock to be issued pursuant to awards under the 2007 Plan may be authorized but unissued shares or treasury shares. The Company has historically issued new authorized but unissued shares upon the exercise of stock options or the issuance of restricted stock under the Prior Plans and, to date, has continued to issue new authorized but unissued shares upon the settlement of the various stock-based equity awards under the 2007 Plan and the Prior Plans.

The 2007 Plan is administered by the Board of Directors (the "Board") or the Compensation Committee or other designated committee of the Board (the "Committee") and provides that stock options granted under the 2007 Plan will be exercisable at such times and under such conditions as may be determined by the Committee at the time of grant of such stock options, however stock options may not be granted for terms in excess of ten years. The terms of the 2007 Plan provide for the granting of stock options at an exercise price of not less than 100 percent of the fair market value of the stock at the date of grant. All other forms of stock-based equity awards granted under the 2007 Plan are subject to the specific terms and conditions as determined by the Committee at the time of grant of such awards in accordance with the various terms and conditions specified for each award type per the 2007 Plan. Stock options outstanding under the 1990 Incentive Stock Option Plan were granted with immediate vesting, vesting after one year and vesting over a period of three years. RSUs outstanding under the 2007 Plan were granted with immediate vesting and vesting over a period of three years. PSUs outstanding under the 2007 Plan were granted with vesting following a two-year performance measurement period.

Vesting of the RSUs granted to directors is immediate, with shares to be issued pursuant to the RSUs upon termination of each director's service as a director of the Company. Until issuance of the shares pursuant to these directors' RSUs, the director RSU holders are entitled to receive dividend equivalents with respect to their RSUs, payable in cash as and when dividends are declared by the Company's Board of Directors.

Vesting of the one-time grant of RSUs granted to certain key executives of the Company in March 2008 in settlement of these key executives' benefits under the Company's supplemental employee retirement plan agreements was over a period of three years from the date of grant, with shares to be issued pursuant to the vested RSUs six months following the day after each executive officer's termination of employment with the Company. Until issuance of the shares pursuant to these executive officers' RSUs, the executive officer RSU holders are entitled to receive dividend equivalents with respect to their RSUs, payable in cash as and when dividends are declared by the Company's Board of Directors.

Vesting of the RSUs granted to employees is over a period of three years from the date of grant, with shares to be issued pursuant to the vested RSUs at the time of vest. These employee RSU holders are not entitled to receive dividend equivalents with respect to their RSUs.

Vesting of the PSUs granted to certain executive officers follows a performance measurement period of two full fiscal years ending as of the Company's fiscal year end for the first full fiscal year following the date of grant (the "Measurement Year"). Shares will be issued pursuant to the vested PSUs following the conclusion of the Measurement Year after the Committee's certification of achievement of the performance measures for such PSUs and the vesting of the PSUs and the applicable percentage of the target number of PSU shares to be issued. These executive officer PSU holders are not entitled to receive dividend equivalents with respect to their PSUs.

Stock-based compensation expense related to the Company's stock-based equity awards totaled \$3.0 million, \$2.9 million and \$2.7 million for the fiscal years ended August 31, 2011, 2010 and 2009, respectively. The Company recognized income tax benefits related to such stock-based compensation of \$1.0 million, \$0.9 million and \$0.8 million for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*****Stock Options***

No stock option awards were granted by the Company during the fiscal years ended August 31, 2011, 2010 and 2009. The estimated fair value of each of the Company's stock option awards granted in fiscal year 2008 and prior was determined on the date of grant using the Black-Scholes option pricing model. Fiscal year 2008 was the latest fiscal period in which the Company granted any stock options.

A summary of the Company's stock option award activity is as follows (in thousands, except share and per share data):

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term per Share (in years)	Aggregate Intrinsic Value
Options outstanding at August 31, 2008	1,404,713	\$ 30.86		
Options granted				
Options exercised	(51,422)	\$ 25.20		
Options forfeited or expired	(4,287)	\$ 36.01		
Options outstanding at August 31, 2009	1,349,004	\$ 31.06		
Options exercisable at August 31, 2009	1,044,658	\$ 29.62		
Options granted				
Options exercised	(139,979)	\$ 25.52		
Options forfeited or expired	(19,128)	\$ 35.22		
Options outstanding at August 31, 2010	1,189,897	\$ 31.65		
Options exercisable at August 31, 2010	1,081,914	\$ 31.21		
Options granted				
Options exercised	(667,639)	\$ 30.28		
Options forfeited or expired	(1,528)	\$ 25.31		
Options outstanding at August 31, 2011	520,730	\$ 33.43	4.74	\$ 4,016
Options exercisable at August 31, 2011	520,730	\$ 33.43	4.74	\$ 4,016

The total intrinsic value of options exercised was \$7.2 million, \$1.3 million and \$0.5 million for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

Cash received from stock option exercises for the fiscal years ended August 31, 2011, 2010 and 2009 was \$20.2 million, \$3.6 million and \$1.3 million, respectively. The income tax benefits from stock option exercises totaled \$2.2 million, \$0.3 million and \$0.1 million for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

Restricted Stock Units

The estimated fair value of each of the Company's RSU awards was determined on the date of grant based on the closing market price of the Company's common stock on the date of grant for those RSUs which are entitled to receive dividend equivalents with respect to the RSUs, or based on the closing market price of the Company's common stock on the date of grant less the grant date present value of expected dividends during the vesting period for those RSUs which are not entitled to receive dividend equivalents with respect to the RSUs.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

A summary of the Company's restricted stock unit activity is as follows (in thousands, except share data):

	Number of Shares	Aggregate Intrinsic Value
Restricted stock units outstanding at August 31, 2008	35,641	
RSUs granted	92,515	
RSUs converted to common shares	(742)	
RSUs forfeited	(200)	
Restricted stock units outstanding at August 31, 2009	127,214	
Restricted stock units vested at August 31, 2009	31,173	
RSUs granted	69,229	
RSUs converted to common shares	(26,673)	
RSUs forfeited	(1,034)	
Restricted stock units outstanding at August 31, 2010	168,736	
Restricted stock units vested at August 31, 2010	49,983	
RSUs granted	71,169	
RSUs converted to common shares	(47,707)	
RSUs forfeited	(441)	
Restricted stock units outstanding at August 31, 2011	191,757	\$ 7,889
Restricted stock units vested at August 31, 2011	66,978	\$ 2,755

The weighted-average fair value of all RSUs granted during the fiscal years ended August 31, 2011, 2010 and 2009 was \$37.35, \$32.14 and \$29.87, respectively. The total intrinsic value of all RSUs converted to common shares was \$1.9 million, \$0.9 million and \$20.8 thousand for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

As of August 31, 2011, there was \$2.3 million of unamortized compensation cost related to non-vested RSUs, which is expected to be recognized over a remaining weighted-average vesting period of 1.8 years.

No cash was received upon the conversion of RSUs to common shares for the fiscal years ended August 31, 2011, 2010 and 2009. The income tax benefits from RSUs converted to common shares totaled \$0.5 million, \$0.3 million and \$7.8 thousand for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

Performance Share Units

On December 7, 2009, PSUs with respect to a target number of 24,000 shares of the Company's common stock were granted to certain executive officers at an aggregate grant date fair market value of \$0.8 million, or \$32.08 per share. The PSUs shall vest with respect to the applicable percentage of the target number of PSU shares based on relative achievement of the applicable performance measures specified for such PSUs. Based on the most recent estimated achievement of the performance measures associated with these PSU grants, the Company expects that approximately 50%, of the original target number of shares, will vest. As a result, the associated inception to date stock-based compensation expense was adjusted accordingly as of August 31, 2011 to reflect this relative level of achievement of the applicable performance measures.

On October 12, 2010, PSUs with respect to a target number of 24,000 shares of the Company's common stock were also granted to certain executive officers at an aggregate grant date fair market value of \$0.9 million, or \$36.88 per share. These PSUs shall vest with respect to the

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applicable percentage of the target number of PSU shares based on relative achievement of the applicable performance measures specified for such PSUs. Based on the most recent estimated achievement of the performance measures associated with these PSU grants, the Company expects that 24,000 shares, or 100% of the original target number of shares, will vest. As a result, the associated inception to date stock-based compensation expense as of August 31, 2011 reflects this relative level of achievement of the applicable performance measures.

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The estimated fair value of each of the Company's PSU award grants was determined on the date of grant based on the closing market price of the Company's common stock on the date of grant less the grant date present value of expected dividends during the vesting period for the PSUs, which are not entitled to receive dividend equivalents with respect to the PSUs.

No PSUs were converted to common shares during the fiscal years ended August 31, 2011 and 2010. The aggregate intrinsic value of PSUs outstanding as of August 31, 2011 was \$2.0 million.

As of August 31, 2011, there was \$0.4 million of unamortized compensation cost related to non-vested PSUs, which is expected to be recognized over a remaining weighted-average vesting period of 1.0 year.

Restricted Stock Awards

Pursuant to the Director Stock Plan and the director compensation policy in effect prior to fiscal year 2008, restricted shares were issued to non-employee directors of the Company in lieu of cash compensation according to elections made by each director prior to his or her re-election at the following annual meeting of stockholders. A director who held shares of the Company having a value of at least \$50,000 was permitted to elect to receive his or her base annual director's fee entirely in cash. Otherwise, directors elected to receive restricted stock in lieu of cash in an amount up to the entire base annual fee in increments of \$5,500. The restricted shares were issued in accordance with a director's election as soon as practicable after the first day of March. The number of shares issued was equal to the amount of compensation to be paid in shares divided by 90% of the closing price of the Company's shares as of the first business day of March or other date of issuance of such shares. Restricted shares issued to a director do not become vested for resale for a period of five years from the date of issuance or until the director's retirement from the Board following the director's 65th birthday. Unless a director has reached age 65, the shares are subject to forfeiture if, during the five-year vesting period, the director resigns from service as a director.

The fair value of restricted stock awards was estimated based on the closing market price of the Company's common stock on the date of issuance. As of August 31, 2011, there was \$4 thousand of unamortized compensation cost related to non-vested restricted stock awards, which is expected to be recognized over a remaining weighted-average vesting period of 0.5 year; such unamortized compensation cost is included as a component of additional paid-in capital in the Company's consolidated financial statements.

A summary of the Company's restricted stock award activity is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Restricted stock awards outstanding at August 31, 2008	13,069	\$ 31.83
Shares issued		
Shares vested		
Shares forfeited		
Restricted stock awards outstanding at August 31, 2009	13,069	\$ 31.83
Shares issued		
Shares vested	(6,457)	\$ 32.78
Shares forfeited		
Restricted stock awards outstanding at August 31, 2010	6,612	\$ 30.91
Shares issued		
Shares vested	(5,504)	\$ 30.67
Shares forfeited		
Restricted stock awards outstanding at August 31, 2011	1,108	\$ 32.08

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 15. Other Benefit Plans

The Company has a WD-40 Company Profit Sharing/401(k) Plan and Trust (the Profit Sharing/401(k) Plan) whereby regular U.S. employees who have completed certain minimum service requirements can defer a portion of their income through contributions to a trust. The Profit Sharing/401(k) Plan provides for Company contributions to the trust, as approved by the Board of Directors, as follows: 1) matching contributions to each participant up to 50% of the first 6.6% of compensation contributed by the participant; 2) fixed non-elective contributions in the amount equal to 10% of eligible compensation; and 3) a discretionary non-elective contribution in an amount to be determined by the Board of Directors up to 5% of eligible compensation. The Company's contributions are subject to overall employer contribution limits and may not exceed the amount deductible for income tax purposes. The Profit Sharing/401(k) Plan may be amended or discontinued at any time by the Company. The Company's contribution expense for the Profit Sharing/401(k) Plan was \$2.3 million, \$2.3 million and \$2.4 million for the fiscal years ended August 31, 2011, 2010 and 2009, respectively.

The Company's international subsidiaries have similar benefit plan arrangements, dependent upon the local applicable laws and regulations. The plans provide for Company contributions to an appropriate third-party plan, as approved by the subsidiary's Board of Directors. The Company's contribution expense related to the international plans for the fiscal years ended August 31, 2011, 2010 and 2009 was \$1.0 million, \$0.9 million and \$1.0 million, respectively.

The Company provides fixed retirement benefits to certain of its retired key executives under supplemental employee retirement plan agreements. The projected benefit obligation under these agreements, which is based on the calculated present value of all future benefit payments using discount rates ranging from 6% to 6.5%, was \$0.7 million as of August 31, 2011 and 2010. This projected benefit obligation is recorded as a component of deferred and other long-term liabilities in the Company's consolidated balance sheets. The interest costs associated with this retirement plan totaled to \$0.1 million, \$19.6 thousand and \$18.4 thousand for the fiscal years ended August 31, 2011, 2010 and 2009, respectively. The plan paid benefits of \$0.1 million for each of the fiscal years ended August 31, 2011, 2010 and 2009.

Note 16. 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 fiscal year 2011. 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.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

	Americas	Europe	Asia-Pacific	Total
Fiscal Year Ended August 31, 2011				
Net sales	\$ 169,881	\$ 125,400	\$ 41,128	\$ 336,409
Income from operations ⁽¹⁾	\$ 19,777	\$ 27,846	\$ 6,509	\$ 54,132
Depreciation and amortization expense	\$ 2,822	\$ 1,377	\$ 187	\$ 4,386
Interest income	\$ 8	\$ 108	\$ 112	\$ 228
Interest expense	\$ 1,066	\$	\$ 10	\$ 1,076
Total assets	\$ 171,813	\$ 96,332	\$ 11,632	\$ 279,777
Fiscal Year Ended August 31, 2010				
Net sales	\$ 179,867	\$ 110,367	\$ 31,282	\$ 321,516
Income from operations ⁽¹⁾	\$ 25,095	\$ 25,075	\$ 5,028	\$ 55,198
Depreciation and amortization expense	\$ 2,856	\$ 1,236	\$ 156	\$ 4,248
Interest income	\$	\$ 108	\$ 66	\$ 174
Interest expense	\$ 1,717	\$	\$ 9	\$ 1,726
Total assets	\$ 195,991	\$ 83,683	\$ 9,434	\$ 289,108
Fiscal Year Ended August 31, 2009				
Net sales	\$ 168,381	\$ 97,518	\$ 26,103	\$ 292,002
Income from operations ⁽¹⁾	\$ 15,282	\$ 20,899	\$ 3,664	\$ 39,845
Depreciation and amortization expense	\$ 2,383	\$ 1,197	\$ 147	\$ 3,727
Interest income	\$ 73	\$ 319	\$ 36	\$ 428
Interest expense	\$ 2,484	\$	\$ 8	\$ 2,492
Total assets	\$ 184,448	\$ 70,010	\$ 8,159	\$ 262,617

- ⁽¹⁾ For the fiscal years ended August 31, 2011, 2010 and 2009, income from operations for the Americas segment included corporate expenses of \$19.3 million, \$17.5 million and \$17.6 million, respectively. Income from operations for the Europe segment included research and development expenses of \$0.8 million for the fiscal year ended August 31, 2011.

	Fiscal Year Ended August 31,		
	2011	2010	2009
Net Sales by Product Line:			
Multi-purpose maintenance products	\$ 278,763	\$ 258,095	\$ 225,098
Homecare and cleaning products	57,646	63,421	66,904
Total	\$ 336,409	\$ 321,516	\$ 292,002
Net Sales by Geography:			
United States	\$ 135,025	\$ 149,127	\$ 140,917
United Kingdom	26,188	22,367	24,791
Germany ⁽²⁾	26,865	23,464	19,579
Latin America	18,720	16,609	15,359
Other international	129,611	109,949	91,356
Total	\$ 336,409	\$ 321,516	\$ 292,002

- ⁽²⁾ Represents net sales from the Germanics sales region which includes Germany, Austria, Denmark, Holland, Switzerland and Belgium.

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		August 31,	
	2011	2010	2009
Long-lived Assets by Geography ⁽³⁾:			
United States	\$ 5,232	\$ 6,379	\$ 7,774
International	3,250	2,943	3,156
Total	\$ 8,482	\$ 9,322	\$ 10,930

⁽³⁾ Includes tangible assets or property and equipment, net, attributed to the geographic location in which such assets are located.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 17. Subsequent Events

In connection with an existing \$60.0 million share buy-back plan, the Company repurchased an additional 406,671 shares at a total cost of \$16.0 million during the period from September 1, 2011 through the filing date of this report on Form 10-K. As a result, the Company has repurchased 1,424,128 shares at a total cost of \$57.4 million to date under this share buy-back plan.

On October 17, 2011, the Company paid off the remaining balance under the Prudential Loan of \$10.7 million and the associated interest of \$0.2 million with cash on hand. The term loan was scheduled to mature in October 2011.

On October 12, 2011 and September 9, 2011, the Company drew \$27.6 million and \$10.0 million U.S. dollars, respectively, under the revolving credit facility with Bank of America.

On October 11, 2011, the Company's Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is President and Chief Merchandising Officer of Tractor Supply Company, which is a customer of the Company. As a result, this will be a related party to the Company in future reporting periods.

On October 7, 2011, the Company's Board of Directors declared a cash dividend of \$0.27 per share payable on October 31, 2011 to shareholders of record on October 18, 2011.